

Planning by	Reviewed	Performed by	Final review

Client details

Client name: Mogale City Local Municipality
Year end: 30 June 2018



Mogale City Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structure Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)

Nature of business

Municipality. The Principal activities of the city are to: Provide democratic and accountable government to the local municipalities, ensure sustainable service delivery to communities, Promote social and economic development, promote a safe and healthy environment and encourage the involvement of communities and community organisations in the matters of local government.

Legislation governing the municipality's operations

Local Government: Municipal Finance Management Act (Act 56 of 2003)

Local Government: Municipal Systems Act (Act 32 of 2000)

Local Government: Municipal Structures Act (Act 117 of 1998)

Constitution of the Republic of South Africa (Act 108 of 1998)

Municipal Property Rates Act (Act 6 of 2004)

Division of Revenue Act (Act 1 Of 2007) and various other acts and regulations

Members of Council

Executive Mayor

Cllr P.N. Lipudi

Speaker

Cllr N.C. Mangole

Chief Whip

Cllr S.I. Dube

Municipal Public Accounts Committee

Cllr B.E. Nkosi

Members of Mayoral Committee

MMC LED and Rural Development: Cllr P.T. Molapo

MMC Finance: Cllr N.M. Sedumedi

MMC Utility Management Services: Cllr M.T. Khuzwayo

MMC Public Works, Roads and Transport: Cllr B. Mdlane

MMC Corporate Support Services & Strategic Planning: Cllr T.P. Moeketsi

MMC Integrated Environmental Management: Cllr M.F. Chohledi

MMC Health and Social Development: Cllr E.N. Cindi

MMC Sports, Recreation, Arts, Culture and Heritage: Cllr C.M. Ntlatlane-Nzwane

MMC Community Safety: Cllr L.G. Resha

MMC Human Settlement; A.K. Setswalo-Moja

Councillors

Cllr M.L. Agondo

Cllr F.O. Bhayat

Cllr S.A. Dabhelia

Cllr D.S. David

Cllr M.J. Jim

Cllr G.K. Gaselebelwe

Cllr V.B. Khumalo

Cllr M.P.J. Madumo

Cllr I. Mangole

Cllr P.J. Makokwe

Cllr M.B. Mdlane

Cllr L. Modise

Cllr G.I. Moilwanyane

Cllr R.J. Mokotla

Cllr B.V. Molefe

Cllr A.G. Mutele

Cllr M. Ndamase

Mogale City Local Municipality

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General Information

Cllr B.N. Ngakane
Cllr W. Ngwako
Cllr I.T Nzwane
Cllr M.O. Ramadi
Cllr M.J. Selibo
Cllr S. Silaule
Cllr M.D. Sithole
Cllr C.P. Zagagana
Cllr K. Ngwenya
Cllr J. Koboekae
Cllr J. Makgopa
Cllr R. Seemela
Cllr M. Khoza
Cllr L. Mkruquli
Cllr G. Tsele
Cllr W. Segolodi
Cllr B. Tlapu
Cllr A. Fourie
Cllr S. Govinsamy
Cllr T.M. Gray
Cllr J.J. Holtzhausen
Cllr O.S.S Moralo
Cllr J.S.Hoon
Cllr B.A. Kubayi
Cllr J.N. Kotze
Cllr C.A. Kotze
Cllr M.T. Lebe
Cllr K.E. Lekagane
Cllr A. Van Loggerenberg
Cllr E. Mahne
Cllr V. Mhlari
Cllr L. Lekoto
Cllr J. Miller
Cllr E. Modise
Cllr M. Mohube
Cllr T.E. Mokoena
Cllr L.W. Moleba
Cllr M.C.G. Naude
Cllr J.L. Pannall
Cllr L.C. Pannall
Cllr P.C. Orpen-Reid
Cllr Z. Wihinger- Maguire
Cllr C.J. Van Der Westhuizen
Cllr L. W. Zwankhuizen
Cllr T.J. Steenkamp
Cllr A. De Lange
Cllr S.D. Letsie

Grading of local authority

High Capacity (Grade 5)

Accounting Officer

Mr M.P. Raedani

Chief Financial Officer

Ms D.S. Diale

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2018

General Information

Registered office	Civic Centre Cnr Commissioner & Market Street Krugersdorp
Business address	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Postal address	P.O Box 94 Krugersdorp
Telephone number	011 951 2000
Bankers	Standard Bank of South Africa
Auditors	Auditor - General South Africa (AGSA)
Audit Committee members	Mr Bashir Ahmed (Chair) (From July 2017 – June 2018) Mr Luvuyo Malinga (From July 2017 – June 2018) Mr Todani Nemadzhilili (From July 2017 – June 2018) Mr Luyanda Mangquku (From Dec 2017 - June 2018) Mr Peter Pekalski (From Dec 2017 - June 2018)

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

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The reports and statements set out below comprise the annual financial statements presented to the council:

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Mogale City Local Municipality

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MCLM	Mogale City Local Municipality
COIDA	Compensation for Occupational Injuries and Diseases Act
DoE	Department of Energy
DBSA	Development Bank of South Africa
WSIG	Water Services Infrastructure Grant
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
HDA	Housing Development Agency
IAS	International Accounting Standards
NERSA	National Electricity Regulator of South Africa
NDPG	Neighbourhood Development Grant
mSCOA	Municipal Standard Chart of Accounts
MPAC	Municipal Public Accounts Committee
MMC	Member of Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
WRDM	West Rand District Municipality
MWIG	Municipal Water Infrastructure Grant
HIV	Human Immunodeficiency Virus
AIDS	Acquired Immunodeficiency Syndrome
VAT	Value Added Tax
HSDG	Human Settlement Development Grant
SRAC	Sports, Recreation, Arts and Culture

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Standards sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The annual financial statements set out on pages 7 to 96, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 31 August 2018.

Accounting Officer
M.P. Raedani

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	2	19 652 405	18 599 974
Receivables from non-exchange transactions	3	201 891 964	173 662 857
Receivables from exchange transactions	4	174 940 829	201 912 793
Cash and cash equivalents	5	40 374 841	44 752 374
Operating lease asset	6	140 701	838 921
VAT receivable	7	37 384 191	37 721 940
Financial assets	12	-	79 674 351
		474 384 931	557 163 210
Non-Current Assets			
Investment property	8	665 386 614	502 001 258
Property, plant and Intangible assets	9	5 558 448 466	5 525 793 863
Intangible assets	10	5 331 304	7 784 634
Heritage assets	11	2 466 041	2 466 041
Financial assets	12	683 884	632 448
		6 232 316 309	6 038 678 244
Total Assets		6 706 701 240	6 595 841 454
Liabilities			
Current Liabilities			
Employee benefit obligation	13	13 872 474	10 986 958
Finance lease obligation	14	13 989 050	26 005 017
Unspent conditional grants and receipts	15	24 344 312	8 851 770
Provisions	16	4 660 371	17 264 515
Payables from non-exchange transactions	17	89 785 923	89 034 175
Payables from exchange transactions	18	718 087 305	700 804 159
Financial liabilities	19	34 665 632	103 066 997
Sundry deposits	20	12 146 360	11 332 528
Consumer deposits	21	55 761 432	57 440 779
		967 312 859	1 024 786 898
Non-Current Liabilities			
Employee benefit obligation	13	231 783 872	219 873 021
Finance lease obligation	14	2 760 880	15 524 496
Provisions	16	20 396 420	22 775 158
Financial liabilities	19	320 431 059	370 947 767
		575 372 231	629 120 442
Total Liabilities		1 542 685 090	1 653 907 340
Assets		6 706 701 240	6 595 841 454
Liabilities		(1 542 685 090)	(1 653 907 340)
Net Assets		5 164 016 150	4 941 934 114
Reserves			
Social Responsibility Fund		18 903 126	16 093 225
Accumulated surplus		5 145 113 024	4 925 840 889
Total Net Assets		5 164 016 150	4 941 934 114

* See Note 47

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	1 516 085 802	1 454 866 118
Rental of facilities and equipment	25	7 571 420	4 047 088
Income from agency services	26	25 621 528	25 428 001
Licences and permits		20 961	33 250
Operational revenue	27	74 722 311	83 705 111
Interest received - Outstanding debtors	28	39 130 115	30 538 473
Interest received - investment	29	8 524 831	13 625 630
Dividends received	29	22 643	20 925
Total revenue from exchange transactions		1 671 699 611	1 612 264 596
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	498 821 027	468 861 894
Transfer revenue			
Transfers and subsidies	31	625 291 774	441 375 873
Fines, Penalties and Forfeits	32	71 897 687	48 947 649
Fair value adjustments investment property	33	226 242 183	15 288 111
Total revenue from non-exchange transactions		1 422 252 671	974 473 527
		1 671 699 611	1 612 264 596
		1 422 252 671	974 473 527
Total revenue		3 093 952 282	2 586 738 123
Expenditure			
Employee related costs	34	(692 640 382)	(642 851 819)
Remuneration of councillors	35	(33 340 576)	(29 169 399)
Depreciation and amortisation	36	(297 742 352)	(279 671 043)
Impairment loss/ Reversal of impairments	37	(4 725 301)	(2 365)
Finance costs	38	(52 959 596)	(52 697 212)
Debt Impairment	39	(218 236 064)	(152 071 458)
Collection costs	40	(45 107 118)	(35 246 880)
Bulk purchases	41	(855 924 183)	(889 809 023)
Contracted services	42	(316 754 875)	(312 734 125)
Transfers and Subsidies (operational expenditure)	43	(66 405 359)	(59 387 369)
Operational costs	44	(295 752 539)	(280 268 292)
Total expenditure		(2 879 588 345)	(2 733 908 985)
		-	-
Surplus (deficit) for the year		214 363 937	(147 170 862)

* See Note 47

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Social responsibility fund	Accumulated surplus	Total net assets
Balance at 01 July 2016	12 659 572	5 077 919 949	5 090 579 521
Changes in net assets			
Social responsibility fund	3 438 604	-	3 438 604
Net income (losses) recognised directly in net assets	3 438 604	-	3 438 604
Surplus for the year	-	(147 170 862)	(147 170 862)
Total recognised income and expenses for the year	3 438 604	(147 170 862)	(143 732 258)
Total changes	3 438 604	(147 170 862)	(143 732 258)
Restated* Balance at 01 July 2017	16 098 176	4 930 749 087	4 946 847 263
Changes in net assets			
Social responsibility fund	2 804 950	-	2 804 950
Net income (losses) recognised directly in net assets	2 804 950	-	2 804 950
Surplus for the year	-	214 363 937	214 363 937
Total recognised income and expenses for the year	2 804 950	214 363 937	217 168 887
Total changes	2 804 950	214 363 937	217 168 887
Balance at 30 June 2018	18 903 126	5 145 113 024	5 164 016 150

Note(s) 46

* See Note 47

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Property rates		498 821 027	468 861 894
Sale of goods and services		1 594 695 964	1 509 704 297
Grants		640 784 316	436 169 258
Interest income		47 654 946	44 164 103
Dividends received		22 643	20 925
Other receipts		157 965 712	124 454 473
		2 939 944 608	2 583 374 950
Payments			
Employee costs		(711 184 591)	(672 721 120)
Suppliers		(1 122 643 833)	(1 156 553 603)
Finance costs		(52 959 596)	(52 697 212)
Other payments		(570 420 195)	(438 211 501)
		(2 457 208 215)	(2 320 183 436)
Total receipts		2 939 944 608	2 583 374 950
Total payments		(2 457 208 215)	(2 320 183 436)
Net cash flows from operating activities	45	482 736 393	263 191 514
Cash flows from investing activities			
Purchase of property, plant and intangible assets		(338 227 656)	(230 219 094)
Purchases of heritage assets		-	(14 376)
Financial assets		-	(10 013 065)
Purchase of other intangible assets		(5 185 576)	-
Net cash flows from investing activities		(343 413 232)	(240 246 535)
Cash flows from financing activities			
Financial liability (payments)/receipts		(118 918 073)	(36 969 811)
Finance lease (payments)/receipts		(24 779 583)	(8 517 478)
Net cash flows from financing activities		(143 697 656)	(45 487 289)
Net increase/(decrease) in cash and cash equivalents		(4 374 495)	(22 542 310)
Cash and cash equivalents at the beginning of the year		44 749 336	67 291 646
Cash and cash equivalents at the end of the year	5	40 374 841	44 749 336

* See Note 47

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	1 378 803 063	56 177 875	1 434 980 938	1 516 085 802	81 104 864
Rental of facilities and equipment	3 497 429	2 048 537	5 545 966	7 571 420	2 025 454
Interest received (Outstanding debtors)	34 436 097	3 482 327	37 918 424	39 130 115	1 211 691
Agency services	26 040 554	-	26 040 554	25 621 528	(419 026)
Licences and permits	23 214	-	23 214	20 961	(2 253)
Operational revenue	23 497 468	11 327 271	34 824 739	74 722 311	39 897 572
Interest received - investment	5 956 820	1 076 312	7 033 132	8 524 831	1 491 699
Dividends received	-	-	-	22 643	22 643

Total revenue from exchange transactions	1 472 254 645	74 112 322	1 546 366 967	1 671 699 611	125 332 644
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Revenue from non-exchange transactions

Taxation revenue

Property rates	505 637 528	5 056 375	510 693 903	498 821 027	(11 872 876)
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Transfer revenue

Transfers and subsidies	538 933 820	110 702 265	649 636 085	625 291 774	(24 344 311)
Fines, Penalties and Forfeits	103 342 266	(63 658 469)	39 683 797	71 897 687	32 213 890
Fair value adjustments investment property	-	-	-	226 242 183	226 242 183

Total revenue from non-exchange transactions	1 147 913 614	52 100 171	1 200 013 785	1 422 252 671	222 238 886
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Total revenue	2 620 168 259	126 212 493	2 746 380 752	3 093 952 282	347 571 530
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Expenditure

Employee related costs	(710 662 866)	18 022 484	(692 640 382)	(692 640 382)	-
Remuneration of councillors	(37 062 457)	3 721 881	(33 340 576)	(33 340 576)	-
Depreciation and amortisation	(113 829 900)	(188 637 754)	(302 467 654)	(297 742 352)	4 725 302
Impairment loss/ Reversal of impairments	-	-	-	(4 725 301)	(4 725 301)
Finance costs	(48 466 913)	(4 492 683)	(52 959 596)	(52 959 596)	-
Debt Impairment	(92 474 141)	(125 761 923)	(218 236 064)	(218 236 064)	-
Collection costs	(19 940 237)	(25 166 881)	(45 107 118)	(45 107 118)	-
Bulk purchases	(945 596 119)	89 671 936	(855 924 183)	(855 924 183)	-
Contracted Services	(261 525 318)	(55 231 825)	(316 757 143)	(316 754 875)	2 268
Transfers and Subsidies (operational expenditure)	(56 072 412)	(10 332 947)	(66 405 359)	(66 405 359)	-
Operational costs	(234 259 897)	(61 490 374)	(295 750 271)	(295 752 539)	(2 268)

Total expenditure	(2 519 890 260)	(359 698 086)	(2 879 588 346)	(2 879 588 345)	1
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Surplus/(deficit)	100 277 999	(233 485 593)	(133 207 594)	214 363 937	347 571 531
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Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	15 138 072	-	15 138 072	19 652 405	4 514 333	
Operating lease asset	-	-	-	140 701	140 701	
Receivables from non-exchange transactions	-	-	-	201 891 964	201 891 964	
VAT receivable	-	-	-	37 384 191	37 384 191	
Consumer debtors	486 264 121	-	486 264 121	174 940 829	(311 323 292)	
Cash and cash equivalents	217 886 457	(121 541 402)	96 345 055	40 374 841	(55 970 214)	
	719 288 650	(121 541 402)	597 747 248	474 384 931	(123 362 317)	
Non-Current Assets						
Investment property	525 131 485	-	525 131 485	665 386 614	140 255 129	
Property, plant and Intangible assets	5 500 443 673	148 251 740	5 648 695 413	5 558 448 466	(90 246 947)	
Intangible assets	23 793 490	-	23 793 490	5 331 304	(18 462 186)	
Heritage assets	-	-	-	2 466 041	2 466 041	
Financial assets	84 055 071	(84 055 071)	-	683 884	683 884	
	6 133 423 719	64 196 669	6 197 620 388	6 232 316 309	34 695 921	
Total Assets	6 852 712 369	(57 344 733)	6 795 367 636	6 706 701 240	(88 666 396)	
Liabilities						
Current Liabilities						
Financial liabilities	118 981 252	50 000 000	168 981 252	34 665 632	(134 315 620)	
Finance lease obligation	-	-	-	13 989 050	13 989 050	
Payables from exchange transactions	654 851 162	-	654 851 162	718 087 305	63 236 143	
Consumer deposits	67 330 587	-	67 330 587	55 761 432	(11 569 155)	
Employee benefit obligation	-	-	-	13 872 474	13 872 474	
Unspent conditional grants and receipts	-	-	-	24 344 312	24 344 312	
Provisions	15 272 550	-	15 272 550	4 660 371	(10 612 179)	
Sundry deposits	-	-	-	12 146 360	12 146 360	
Payables from non-exchange transactions	-	-	-	89 785 923	89 785 923	
	856 435 551	50 000 000	906 435 551	967 312 859	60 877 308	
Non-Current Liabilities						
Financial liabilities	364 149 626	-	364 149 626	320 431 059	(43 718 567)	
Finance lease obligation	-	-	-	2 760 880	2 760 880	
Employee benefit obligation	219 721 398	-	219 721 398	231 783 872	12 062 474	
Provisions	19 638 455	-	19 638 455	20 396 420	757 965	
	603 509 479	-	603 509 479	575 372 231	(28 137 248)	
Total Liabilities	1 459 945 030	50 000 000	1 509 945 030	1 542 685 090	32 740 060	
Net Assets	5 392 767 339	(107 344 733)	5 285 422 606	5 164 016 150	(121 406 456)	

Mogale City Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Reserves						
Social Responsibility Fund	12 659 572	-	12 659 572	18 903 126	6 243 554	
Accumulated surplus	5 380 107 767	(107 344 733)	5 272 763 034	5 145 113 024	(127 650 010)	
Total Net Assets	5 392 767 339	(107 344 733)	5 285 422 606	5 164 016 150	(121 406 456)	

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	537 868 489	(27 174 586)	510 693 903	498 821 027	(11 872 876)	
Services charges	1 378 803 063	88 731 145	1 467 534 208	1 594 695 964	127 161 756	
Other Revenue	297 770 035	11 068 888	308 838 923	157 965 712	(150 873 211)	
Government - Operating	538 933 820	110 702 265	649 636 085	640 784 316	(8 851 769)	
Interest	40 392 917	4 558 639	44 951 556	47 654 946	2 703 390	
Dividends received	-	-	-	22 643	22 643	
	2 793 768 324	187 886 351	2 981 654 675	2 939 944 608	(41 710 067)	

Payments

Suppliers and employee costs	(2 188 097 788)	(173 217 278)	(2 361 315 066)	(1 833 828 424)	527 486 642	
Finance costs	(48 466 913)	(8 288 078)	(56 754 991)	(52 959 596)	3 795 395	
Transfers and grants	(56 072 412)	-	(56 072 412)	-	56 072 412	
Other payments	-	-	-	(570 420 195)	(570 420 195)	
	(2 292 637 113)	(181 505 356)	(2 474 142 469)	(2 457 208 215)	16 934 254	

Total receipts	2 793 768 324	187 886 351	2 981 654 675	2 939 944 608	(41 710 067)	
Total payments	(2 292 637 113)	(181 505 356)	(2 474 142 469)	(2 457 208 215)	16 934 254	
Net cash flows from operating activities	501 131 211	6 380 995	507 512 206	482 736 393	(24 775 813)	

Cash flows from investing activities

Proceeds on disposal of property, plant and equipment depreciation	20 000 000	1 000 000	21 000 000	-	(21 000 000)	
Capital Assets	(293 878 065)	(148 251 740)	(442 129 805)	(338 227 656)	103 902 149	
Purchase of other intangible assets	-	-	-	(5 185 576)	(5 185 576)	
Net cash flows from investing activities	(273 878 065)	(147 251 740)	(421 129 805)	(343 413 232)	77 716 573	

Cash flows from financing activities

Repayment of financial liabilities	(106 222 935)	71 436 253	(34 786 682)	(118 918 073)	(84 131 391)	
Finance lease payments	-	-	-	(24 779 583)	(24 779 583)	
Net cash flows from financing activities	(106 222 935)	71 436 253	(34 786 682)	(143 697 656)	(108 910 974)	

Net increase/ decrease in cash held	121 030 211	(69 434 492)	51 595 719	(4 374 495)	(55 970 214)	
Cash/cash equivalents at the year begin	67 291 645	(22 542 309)	44 749 336	44 749 336	-	
Cash and cash equivalents at the end of the year	188 321 856	(91 976 801)	96 345 055	40 374 841	(55 970 214)	

Reconciliation

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	505 637 528	5 056 375	510 693 903	-		510 693 903	498 821 027		(11 872 876)	98 %	99 %
Service charges	1 378 803 063	56 177 875	1 434 980 938	-		1 434 980 938	1 516 085 802		81 104 864	106 %	110 %
Investment revenue	5 956 820	1 076 312	7 033 132	-		7 033 132	8 547 474		1 514 342	122 %	143 %
Transfers recognised - operational	345 333 755	(1 971 594)	343 362 161	-		343 362 161	342 501 982		(860 179)	100 %	99 %
Operational revenue	384 437 093	65 873 525	450 310 618	-		450 310 618	445 206 205		(5 104 413)	99 %	116 %
Total revenue (excluding capital transfers and contributions)	2 620 168 259	126 212 493	2 746 380 752	-		2 746 380 752	2 811 162 490		64 781 738	102 %	107 %
Employee related costs	(710 662 866)	7 886 931	(702 775 935)	-	-	(702 775 935)	(692 640 382)	-	10 135 553	99 %	97 %
Remuneration of councillors	(37 062 457)	2 429 545	(34 632 912)	-	-	(34 632 912)	(33 340 576)	-	1 292 336	96 %	90 %
Debt impairment	(92 474 141)	-	(92 474 141)			(92 474 141)	(218 236 064)	-	(125 761 923)	236 %	236 %
Depreciation and asset impairment	(113 829 900)	(170 478 638)	(284 308 538)			(284 308 538)	(302 467 653)	-	(18 159 115)	106 %	266 %
Finance charges	(48 466 913)	6 411 759	(42 055 154)	-	-	(42 055 154)	(52 959 596)	-	(10 904 442)	126 %	109 %
Materials and bulk purchases	(945 596 119)	8 042 439	(937 553 680)	-	-	(937 553 680)	(855 924 183)	-	81 629 497	91 %	91 %
Transfers and subsidies (operational expenditure)	(56 072 412)	-	(56 072 412)	-	-	(56 072 412)	(66 405 359)	-	(10 332 947)	118 %	118 %
Operational Costs	(515 725 451)	(30 782 527)	(546 507 978)	-	-	(546 507 978)	(657 614 532)	-	(111 106 554)	120 %	128 %
Total expenditure	(2 519 890 259)	(176 490 491)	(2 696 380 750)	-	-	(2 696 380 750)	(2 879 588 345)	-	(183 207 595)	107 %	114 %

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total revenue (excluding capital transfers and contributions)	2 620 168 259	126 212 493	2 746 380 752	-	-	2 746 380 752	2 811 162 490	-	64 781 738	102 %	107 %
Total expenditure	(2 519 890 259)	(176 490 491)	(2 696 380 750)	-	-	(2 696 380 750)	(2 879 588 345)	-	(183 207 595)	107 %	114 %
Surplus/(Deficit)	100 278 000	(50 277 998)	50 000 002	-		50 000 002	(68 425 855)		(118 425 857)	(137)%	(68)%
Transfers recognised - capital	193 600 065	112 673 859	306 273 924	-		306 273 924	282 789 792		(23 484 132)	92 %	146 %
Surplus (Deficit) after capital transfers and contributions	293 878 065	62 395 861	356 273 926	-		356 273 926	214 363 937		(141 909 989)	60 %	73 %
Surplus/(Deficit) for the year	293 878 065	62 395 861	356 273 926	-		356 273 926	214 363 937		(141 909 989)	60 %	73 %
Capital expenditure and funds sources											
Total capital expenditure	293 878 065	148 251 740	442 129 805	-		442 129 805	374 893 200		(67 236 605)	85 %	128 %
Sources of capital funds											
Transfers recognised - capital	193 600 065	112 673 859	306 273 924	-		306 273 924	282 789 792		(23 484 132)	92 %	146 %
Internally generated funds	100 278 000	35 577 881	135 855 881	-		135 855 881	92 103 410		(43 752 471)	68 %	92 %
Total sources of capital funds	293 878 065	148 251 740	442 129 805	-		442 129 805	374 893 202		(67 236 603)	85 %	128 %

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	501 131 212	6 380 995	507 512 207	-		507 512 207	482 736 393		(24 775 814)	95 %	96 %
Net cash from (used) investing	(273 878 065)	(147 251 740)	(421 129 805)	-		(421 129 805)	(343 413 232)		77 716 573	82 %	125 %
Net cash from (used) financing	(106 222 935)	71 436 253	(34 786 682)	-		(34 786 682)	(143 697 656)		(108 910 974)	413 %	135 %
Net increase/(decrease) in cash and cash equivalents	121 030 212	(69 434 492)	51 595 720	-		51 595 720	(4 374 495)		(55 970 215)	(8)%	(4)%
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	44 749 336		44 749 336	DIV/0 %	DIV/0 %
Net increase / (decrease) in cash and cash equivalents	121 030 212	(69 434 492)	51 595 720	-	-	51 595 720	(4 374 495)	-	55 970 215	(8)%	(4)%
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	44 749 336	-	(44 749 336)	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	121 030 212	(69 434 492)	51 595 720	-		51 595 720	40 374 841		11 220 879	78 %	33 %

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Accounting Policies

1. Presentation of Annual Financial Statements

1.1 General Information

The address of Mogale City Local Municipality's registered office, principal place of business, legal form of entity, nature of business and principal activities are disclosed under 'General Information' on page 1 and 3 of these annual financial statements.

1.2 Basis of preparation

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on the cash balance are disclosed.

1.3 Basis of measurement

These annual financial statements were prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

1.4 Functional and presentation currency

The annual financial statements are presented in South African Rand, which is Mogale City's functional currency. All financial information presented in Rand has been rounded to the nearest Rand.

1.5 Going Concern

The financial statements were prepared on a going-concern basis. The assumption is that Mogale City will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations and objectives.

1.6 GRAP Standards effective for the current financial year

The municipality expects to adopt the standard of GRAP 20: Related parties for the first time when the standard becomes effective on or after 1 April 2019. The municipality has already formulated an accounting policy for this reporting period based on the Standard. During the current financial year numerous standards were amended and improved. The municipality has adopted the improvements for the first time in the 2018 annual financial statements.

1.7 Standards approved not yet effective

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 20 Related parties	Effective 1 April 2019	Material
GRAP 18 Segment reporting	Effective 1 July 2020	Material
GRAP 32 Service Concession Arrangements	Effective 1 April 2019	Material
GRAP 108 Statutory receivables	Effective 1 April 2019	Material
IGRAP 17 Service Concession arrangements	Effective 1 April 2019	Material
IGRAP 18 Recognition and derecognition of Land	Effective 1 April 2019	Material
IGRAP 19 Liabilities to pay Levies	Effective 1 April 2019	Material
GRAP 109 Accounting by Principals and Agents	Effective 1 April 2019	Material
GRAP 34 Separate Financial Statements	Not yet effective	Not material – not applicable to entity currently
GRAP 35 Consolidated Financial Statements	Not yet effective	Not material – not applicable to entity currently
GRAP 36 Investments in Associates and Joint Ventures	Not yet effective	Not material – not applicable to entity currently
GRAP 37 Joint Arrangements	Not yet effective	Not material – not applicable to entity currently
GRAP 38 Disclosure of Interests in Other Entities	Not yet effective	Not material – not applicable to entity currently
GRAP 110 Living and Non-Living Resources	Effective 1 April 2020	Material – not applicable to entity currently

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1.8 Standards not implemented

The following approved and effective Standards of GRAP have not been implemented in the preparation of the annual financial statements as they are not applicable to the business operations of Mogale City.

GRAP 4	The effects of changes in foreign exchange rates
GRAP 6	Consolidated and separate financial instruments
GRAP 7	Investments in associates
GRAP 8	Interest in joint ventures
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 27	Agriculture
GRAP 107	Mergers
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control

1.9 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying Mogale City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

1.9.1 Classification of leases

All arrangements that are classified as leases are evaluated as operating and finance leases. These are then accounted in the annual financial statements in terms of the relevant GRAP standard.

1.9.2 Employee benefits including pension and other post-employment benefits

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.9.3 Impairment of receivables

A comprehensive methodology for impairment of receivables is utilised by the municipality in assessing receivables for impairment and for determining the extent to which receivables are impaired in line with GRAP 104. Management's estimates and judgement are utilised in the analysis of receivables and calculation of impairment.

The Municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

The following accounts are specifically excluded from impairment testing:

- Receivable accounts with a credit balance at reporting date;
- Receivable accounts where the balance at reporting date is zero;
- Receivable accounts where the Municipality is the owner;
- Receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due (with the exception of handed over accounts).

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.

- Accounts handed over to debt collectors for collection.
- Accounts identified as section 118(3) historical debts.
- Accounts wherein the accountholder is indicated to be or will be under debt review, subject to liquidation, sequestration or any similar arrangement.
- Accounts where the accountholder has a current repayment arrangement as at the reporting date.
- All accounts indicated as in-active accounts on the system;

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- Accounts that have been formally presented to Council for write off.
- Accounts with balances outstanding for 30 days and longer as these account holders have defaulted and the accounts are considered to be past due date.
- Accounts where the account holder is an approved indigent at reporting date.
- Accounts where the last payment date by the account holder was more than 2 months before the end of the reporting period.
- Accounts other than the above which in Management's view could be impaired taking any other factors at management's disposal into consideration.

The impairment loss is calculated as the difference between the carrying values of the receivable at reporting date less the present value of expected future cash flows. Expected future cash flows will be calculated based on management's experienced judgment.

Receivables will not be discounted when calculating the estimated impairment allowance as account holders within a municipality are granted normal credit terms that are applicable in the public sector. Accounts where a formal debt repayment arrangement has been entered into with the customer will however be discounted at the prime lending rate as the municipality does not charge interest on accounts wherein an arrangement has been entered into.

A provision for impairment of traffic fines is raised based on the average percentage of uncollected fines in the preceding 3 years, fines older than 3 years are considered to be impaired and are written off.

1.9.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The calculation in respect of the impairment of property, plant and equipment, heritage assets, intangible assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment, heritage assets, intangible assets and investment property.

1.9.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgement is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material.

1.9.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.10 Budget information

Mogale City is typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through MFMA and the appropriate budget regulations.

The approved budget:

- Is presented by economic classification linked to performance outcome objectives; and
- Covers the fiscal period from 01 July to 30 June, annually.

The annual financial statements and the budget are prepared on the same basis of accounting. A comparison with the budgeted amounts for the reporting period was included in the Statement of Comparison of Budget and Actual Amounts. Variances between budget and actual amounts are regarded as material when a variance exist of 10% in the statement of financial position, financial performance, cash flow statement and capital expenditure.

All material differences are explained in the notes to the annual financial statements.

1.11 Consistency of policies

The accounting policies are in all material respects consistent with those applied in the previous year.

1.12 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (mSCOA). The reclassifications have no impact on the net asset value of the municipality.

Where accounting errors/change in accounting policy have been identified in the current year, the correction/adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.13 Corporate Social Responsibility levy

Mogale City Local Municipality has established a 1% Corporate Social Responsibility (CSR) levy during the financial year that has ended on 30 June 2010. All Suppliers that are situated outside the borders of the Municipality that are benefiting through

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the Supply Chain Management processes and procedures, must contribute a 1% of all their payments that the Municipality would be making to them throughout the tender tenure, to the Municipality's Corporate Social Responsibility Levy. This 1% CSR Levy are being ring-fenced in a separate investment banking account and are being appropriated for all the Municipality's Corporate Social Responsibilities towards the societal improvement and upliftment of the communities of Mogale City. The 1% CSR levy are being managed, accounted for and reported to in terms a 1% CSR Policy that are being reviewed every year with all the Budget related policies.

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficits. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

2 FINANCIAL REPORTING TERMS

2.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

2.2 Cash generating assets

Cash generating assets are those assets held by Mogale City with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

2.3 Carrying Amount

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

2.4 Cash generating unit

A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, Mogale City uses management's best estimate of future price(s) that could be achieved at arm's length transactions in estimating.

The future cash inflows used to determine the asset's or cash generating unit's value in use; and

The future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

2.5 Costs of disposal

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

2.6 Cost of inventories

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.7 Current replacement cost

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

2.8 Depreciation (Amortisation)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

2.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

2.10 Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been

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adjusted.

2.11 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

2.12 Impairment Loss

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

2.13 Net realisable value

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

2.14 Non-cash generating assets

Non-cash generating assets are assets other than cash generating assets.

2.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Mogale City from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets: Property, plant and equipment; Investment property; Intangible asset; and Heritage assets.

2.16 Recoverable amount

Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

2.17 Recoverable service amount

Recoverable service amount is the higher of non-cash generating asset's fair value less costs to sell and its value in use.

2.18 Useful life

Useful life is either:

The period of time over which an asset is expected to be used by Mogale City; or

The number of production or similar units expected to be obtained from the asset by Mogale City.

2.19 Value in use of cash generating assets

The following elements shall be reflected in the calculation of an asset's value in use:

An estimate of the future cash flows the Municipality expects to derive from the asset;

Expectations about possible variations in the amount or timing of those future cash flows;

The time value of money, represented by the current market risk-free rate of interest

The price for bearing the uncertainty inherent in the asset and

Other factors, such as liquidity, that market participants would reflect in pricing the future cash flows expected to be derived from the asset.

2.20 Value in use of non-cash generating assets

Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential. The present value of the remaining service potential of a non-cash generating assets is determined using the depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Mogale City would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset.

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Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. The Municipality used this criteria to distinguish between Property Plant and Equipment and Investment Property. Mogale City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

3.1.1 Assets under construction

Costs capitalised for work in progress in respect of activities to develop, enhance, or expand items of property, plant and equipment are classified as part of assets under construction. Assets under construction are capitalised once they are ready for use, that is, recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are carried at historical costs net of any impairment losses. Finance expenditure, net of finance income, are capitalised on qualifying asset. Depreciation only commences once the asset is ready for use.

Mogale City discloses information relating to assets under construction or development of Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Asset in the note of the relevant asset.

3.1.2 Significant components

Significant components, major spare parts and standby equipment's that have different useful lives or can be used in more than one period, are accounted for as separate items (major components) of property, plant and equipment. Spare parts and stand by equipment which can only be used in connection with a specific item of property, plant and equipment are accounted for as part of that item.

3.1.3 Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

3.1.4 Derecognition of items of property, plant and equipment

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. Gains or losses arising from derecognition of items of property, plant and equipment are included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

3.1.5 Reclassification of items of Property, Plant and Equipment

Assets which Mogale City holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in statement of financial position and presented in the revaluation

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reserve. Any loss is recognised in surplus or deficit.

3.1.6 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation charge for each period is recognised in surplus or deficit in the financial performance. Land is not depreciated as it is deemed to have an indefinite life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. Changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis. As Mogale City maintains and acquires assets to provide a social service to the community, the useful lives and economic lives of these assets are equal. Consequently, no residual values are determined.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Type	Component Type	EUL
Building	Air conditioning	20
	Electrical installation	30
	Finishes, fixtures & fittings	15
	Fire protection	20
	Floor	50
	Lifts	10
	Plumbing	20
	Roof	40
	Security system	20
	Walls	30-60
Civil Structure	Carports	7
	Earth Structure	50
	Erosion Protection	50
	Filter media	10
	Leachate drainage system	50
	Lining - landfill	50
	Masonry structure	30
	RC Structure	50-80
	Retaining wall	60
	Well	30
Communal sanitation	Septic Tank	40
	Channel	5
Drainage	Culvert	60
	Grid Inlet	30
	Kerb	20
	Kerb Inlet	20
	Sub-soil drain	60
Earthworks	Earthworks	100
	Landfill restoration	20-40
Electrical equipment	Control Cable	50
	Isolator	30
	MV Cable	50
	Telemetry	15
External facilities	Bin / Container	10
	External furniture	20
	External lighting	30
	Irrigation	10
	Landscaping	30
	Perimeter Protection	8-30
	Small building / enclosure	20
	Tank	15
Footpath / Paving	Paving	20
HV Conductor	HV Cable	50
	HV Overhead line	50
HV Substation	Batteries	20
	Current transformer	45

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	HV Power Transformer	45
	HV Switchgear - Circuit Breaker	50
	HV Switchgear - Isolating Link	50
	HV Switchgear - Isolators	50
	Transformer NEC	45
	Transformer NER	45
	Voltage Transformer	45
LV Conductor	LV Cable	50
Mechanical equipment	Aerator	20
	Blower	20
	Bowser	10
	Compressor	10
	Conveyor	20
	Doser	15
	Dosing Plant	15
	Engine	15
	Gas control equipment	15
	Gearbox	15
	Generator	20
	Grit Classifier	30
	Mixer	20
	Motor	15
	Pump - sewer	15
	Pump - submersible	8-15
	Pump - water	15
	Rotating scraper assembly	20
	Trickling Filter	20
	Wash water system	15
	Weigh bridge	15
Metal work	Fabricated Steel	20-30
	Guard rail	15
Municipal Service Connection	Electrical service connection	50
	Electricity Meter	10-20
	Load Shed Relay	20
	Sanitation Connection	50
	Water Connection	50
	Water Meter	10
MV Conductors	MV Overhead line	50
MV Mini-sub	Mini-Sub	45
	Transformer	45
MV Primary substation	MV Switchgear - Circuit Breaker	50
MV Substation	Battery Charger	10
	Control panel	50
	Load Control Set	20
	MV Switchgear - Isolating Link	50
	MV Switchgear - Isolators	50
	MV Transformer	45
	Panel_switchgear	50
	Power factor equipment	30-50
MV Transformer	Pole Transformer	45
Pavement	Road structural layer	30
	Road surface	3
Pedestrian bridge	Pedestrian bridge substructure	100
	Pedestrian bridge superstructure	100
Pipe work	Communal standpipe - Pedestal	10
	Hydrant	20
	Pipe - sewer	40
	Pipe - stormwater	50
	Pipe - water	40
	Valve	20
Public Lighting	High mast	45
	Street Light	45
Road Bridge	Road bridge sub-structure	100

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Road Furniture	Road bridge super-structure	100
	Advertisement Signs	7
	Billboards	7
	Cat eyes	3
	Commuter shelter	15
	Footpath / Paving	20
	Mini round-about	20
	Road marking: Guidance	5
	Road marking: Regulatory	5
	Road marking: Warning	5
	Sign - general	20
	Sign - regulatory	7
	Speed hump	20
	Street rubbish bin	10-30
	Street sign	20
	Traffic island	20
	Traffic signal	15
Service connection on site	LV Overhead Line	45
	Pipe - sewer (incl manholes)	40-60
Sports facilities	Bowling green	20
	Sports field	15-50
	Stadium	50
	Swimming pool	20
	Tennis court	15
Moveable assets	Office Equipment	3-10
	Furniture and Fittings	7-10
	Motor Vehicles	3-20
	Plant and Equipment	2-15
	Emergency Equipment	5-15
	Bins and containers	5-10
	Books	5-10
	Animals	20-80

3.2 Investment property

Investment property includes property (land or a building or part of a building or both land and buildings held under finance lease) held to earn rentals or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or sale of assets in the ordinary course of operations. The Municipality used this criteria to distinguish between Property Plant and Equipment and Investment Property.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in surplus or deficit.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in net surplus or deficit when it becomes receivable.

3.3 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. An asset is identifiable if it either:

separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or arises from binding arrangements (including rights from contracts) regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where intangible assets are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

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The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Mogale City does not have intangible assets with an indefinite useful life.

Intangible assets with a finite useful life are amortised on a straight line basis over their estimated useful life. The amortisation charge for each period is recognised in the Statement of Financial Performance.

Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and Mogale City intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the Statement of Financial Performance. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

The amortisation methods, assumption and estimated remaining useful life are reviewed annually. Any changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

Item	Useful Life
Computer Software	3 - 5 years

3.4 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. Some heritage assets have more than one purpose, e.g. an historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The municipality must use its judgement to make such an assessment. The asset should be accounted for as a heritage asset if, and only if, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. If a significant portion is used for production, administrative purposes or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on PPE.

Heritage assets are stated at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Information on heritage assets that could not be reliably measured on initial recognition is disclosed in the notes to the annual financial statements.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

Mogale City does not depreciate heritage assets. At each reporting date, Mogale City assesses whether there is an indication that it may be impaired. If any such indication exists, Mogale City estimates the recoverable amount or the recoverable service amount of the heritage asset. Any impairment losses are recognised in surplus or deficit.

Improvements to heritage assets are considered as sub-assets and are capitalised if it meets the definition of a heritage asset. Compensation from third parties for items of heritage assets that were impaired, lost or given up is included in surplus or deficit. The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses arising from derecognition of a heritage asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

3.5 Inventories

Inventories that qualify for recognition are initially measured at cost. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition. Subsequent to initial recognition inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
Distribution at no charge or for a nominal charge; or

Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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The cost of inventories is assigned using the weighted average formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

3.6 Receivables

Receivables are recognised initially at fair value, plus transaction costs. Receivables are subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. An estimate for impairment of receivables is determined based on the impairment methodology for receivables using management's judgement and reasonable estimates.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. The average credit period on services rendered is 30 days from date of invoice.

An impairment allowance for impairment of receivables is established when there is objective evidence that Mogale City will not be able to collect all amounts due according to the original terms of receivables. Accordingly the carrying amount of the receivables is reduced through the use of an impairment allowance for impairment of debtors account. The impairment loss or gain is recognised in surplus or deficit.

An impairment allowance is decreased if the decrease can be related objectively to an event occurring after the impairment was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

3.7 Cash and cash equivalents

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Bank overdrafts are offset against cash and cash equivalents in the Cash Flow Statement.

Cash which is subject to restrictions on its use is stated separately at carrying amount in the statement of financial position.

3.8 Trade and other payables

3.8.1 Payables from exchange transactions

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

3.8.2 Payables from Non-exchange transactions.

(a) Any funds which must revert to the National Revenue Fund which have not been approved by the National Treasury to be retained, must be repaid to the National Revenue Fund.

(b) A receiving officer must ensure that all funds referred to in paragraph (a) are repaid to the National Revenue Fund.

The National treasury may offset any funds which must be repaid to the National Revenue Fund but which have not been repaid— in the case of a municipality, against future advances for the equitable share or conditional allocations to that municipality.

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Grants which have not been approved by the National Treasury to be retained and need to be surrendered to National Treasury are reclassified as payables from non-exchange transactions to enhance the usefulness of the financial statements and more fairly reflect the nature of the liability at reporting date.

3.9 Financial instruments

Financial instruments are recognised when Mogale City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

3.9.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition. Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Mogale City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

3.9.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

3.9.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Mogale City has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

3.9.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

3.9.5 Financial liabilities

After initial recognition, Mogale City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

3.9.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.9.7 Classification

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial assets	Financial assets measured at fair value
Receivables from non-exchange transactions	Financial assets measured at amortised costs
Receivables from exchange transactions	Financial assets measured at amortised costs
Call Accounts money market accounts	Financial assets measured at amortised costs
Cash and cash equivalents	Financial assets measured at amortised cost

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The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial liabilities	Financial liabilities measured at amortised costs
Payables from non-exchange transactions	Financial liabilities measured at amortised costs
Payables from exchange transactions	Financial liabilities measured at amortised costs
Consumer deposits	Financial liabilities measured at amortised costs
Sundry deposits	Financial liabilities measured at amortised costs
Finance lease obligation	Financial liabilities measured at amortised costs

3.10 Impairment of cash generating assets

Cash generating assets are those assets held by Mogale City with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return. In order to determine if any of the municipality's assets are cash generating the municipality looks at the objective of the asset and what return does it generate. The Municipality's assets are non-cash generating.

3.11 Impairment of non-cash generating assets

Non-cash generating assets are assets other than cash generating assets. The Municipality has accepted that all administrative assets, for example, vehicles, office equipment/furniture, plant and machinery, computer equipment and administrative land and buildings are non-cash generating assets as they do not generate any return.

Infrastructure assets can be divided into five main groups, roads, water, electricity, sewer and waste management. Roads do not generate any return and is therefore categorised as non-cash generating assets. Water and electricity infrastructure assets in the municipality generate a return in the form of water and electricity service charges. These returns are not considered to be commercial returns.

Waste management do generate a return in the form of a fee charged at landfill sites for the disposing of household waste when the load is of a certain size. These landfill sites are however managed to protect health, well-being and the environment by providing the facility to safely dispose of household waste. Landfill sites are treated as non-cash generating assets.

Community assets are all categorised as non-cash generating assets even if some of these assets, for example, swimming pool, community hall or cemeteries generate a return. The return generated by these assets is small and immaterial in relation to the cost of the assets and therefore is not considered to be a commercial return.

3.11.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets or cash generating assets are reviewed to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the recoverable service amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash generating asset to which it relates, Mogale City recognises a liability only to the extent that is a requirement in the Standards of GRAP.

3.11.2 Recoverable service amount

The recoverable service amount of a non-cash-generating asset or cash generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

3.11.3 Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

3.11.4 Depreciation/Amortisation

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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3.11.5 Redesignation

The redesignation of assets from a cash generating asset to a non-cash generating asset or from a non-cash generating asset to a cash generating asset only occur when there is clear evidence that such a redesignation is appropriate.

3.12 Leases

At inception of an arrangement, Mogale City determines whether the arrangement is or contains a lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes land and buildings elements, Mogale City assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

3.12.1 Finance Lease – Mogale City as lessor

The municipality recognises finance lease receivables as assets on the Statement of Financial Position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

3.12.2 Operating leases – Mogale City as lessor

Mogale City presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Mogale City's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Mogale City in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

3.12.3 Finance leases – Mogale City as lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Mogale City will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

3.12.4 Operating leases – Mogale City as lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use. Contingent rents are charged as expenses in the periods in which they are incurred.

3.13 Employee benefits

3.13.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Mogale City has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

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3.13.2 Defined contribution pension plan and defined benefit pension plans

Mogale City contributes to defined contribution pension plans and defined benefit pension plans for its employees. These plans are generally funded through payments to trustee-administered funds as determined by annual actuarial calculations.

3.13.3 Retirement benefits

Defined contribution plans are post-employment benefit plans under which Mogale City pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

3.13.4 Defined benefit plans - Post-retirement health care benefits

Mogale City provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

3.13.5 Other long term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Mogale City provides the following additional payments to employees based on certain criteria:

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement) of the employee multiplied by the number of years that the employee was not allowed to contribute retirement benefit plans.

Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Mogale City's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation. The present value of the obligation is recognised on the Statement of Financial Position.

3.14 Provisions

A provision is a liability of uncertain timing or amount.

Mogale City recognises a provision when it has a present legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

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3.15 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Mogale City's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually.

Subsequent changes in the obligation are to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset does not exceed its carrying amount. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Mogale City evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Mogale City tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy

Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk adjusted.

3.16 Contingent liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or a present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Mogale City does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annually Mogale City evaluates the possibility of the outflow of resources or service potential.

3.17 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Mogale City.

Mogale City does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Mogale City continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

3.18 Value-Added Tax

Mogale City accounts for value-added tax (VAT) on the payment basis.

3.19 Revenue

Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Mogale City, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Mogale City and the purchaser or user of the asset or service.

Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

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When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Mogale City derives revenue from exchange and non-exchange transactions.

3.19.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Rendering of services

Mogale City recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to Mogale City.
- The stage of completion of the transaction at the reporting date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Financing Arrangement on deferred payments: Sale of goods

An appropriate initial down payment of the arrear amount is payable on conclusion of the arrangement and is based on the following: The initial payment is not applicable to staff members of Mogale City Local Municipality.

Net salary range earned by the consumer:

- R 1 000 – R 2 999 25 % of the outstanding debt
- R 3 000 – R 5 999 30 %
- R 6 000 – R 8 999 35%
- R 9 000 – R 12 999 45%
- R 13 000 – R 15 999 50 %
- R 16 000 – R 20 999 60 %

Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period. An accrual on the basis of a determined consumption factor is made for consumption not billed as at the end of each reporting period.

Residential sanitations service charges are charged based on the applicable tariffs for financial year or period. Business and other consumers' sanitation service charges are based the average of previous financial year's consumption to the applicable tariff. Basic Sewerages is charged based on the area size of the property multiplied by the applicable tariff.

Service charges relating to refuse removal are recognised on a monthly basis based on frequency of collection, type of disposal method used and the approved tariff is then applied thereto.

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Prepaid water and electricity:

Revenue from the sale of prepayment water and electricity is recognised at the point of sale.

Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest revenue

Interest earned on: Investments are recognised on a time proportionate basis that takes into account the effective yield on the investments. Outstanding debtors are recognised on a time proportionate basis.

Rental of facilities and equipment

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff and includes the issuing of licences and permits.

Collection charges are recognised when such amounts are legally enforceable and billed.

Penalty interest on unpaid services is recognised on a time proportion basis.

Dividends

Dividends are recognised when the municipality's right to receive payment is established.

3.19.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Mogale City received revenue from another entity or individual without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Property rates are charged based on the market value of a property multiplied by the tariff applicable to that property category. Exemptions, rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Transfers and Subsidies

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued. Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any early settlement discounts that are likely to be taken up by motorists. Interest is not levied on overdue amounts. Subsequently, Mogale City evaluates the recoverability of these fines to determine the recoverable amount. This takes into account settlement discounts, reductions in the amount payable are offered, past history in terms of the successful prosecution and recovery of the fines.

Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

Services in-kind

Service in kind is recognised if significant to operations and if not significant then the nature and type is disclosed. Mogale City does not recognise services in-kind as assets or revenue.

3.20 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings.

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Mogale City capitalises borrowing costs commences when: Borrowing costs have been incurred; expenditure have been incurred; and it undertakes activities that are necessary to prepare the asset for its intended use or sale. Where Mogale City applies general borrowed funds to obtain a qualifying asset, Mogale City applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Mogale City suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset. Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Mogale City ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

3.21 Unauthorised expenditure

Unauthorised expenditure is expenditure: which has not been budgeted for; that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or in the form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

3.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003); the Municipal Systems Act (Act No.32 of 2000); the Public Office Bearers Act (Act No. 20 of 1998); or is in contravention of the Mogale City's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.24 Related parties

Mogale City regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Mogale City is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Mogale City.

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Management is regarded as a related party. Management of Mogale City comprises of all political office bearers of Mogale City and the Executive Management team. Political office bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other councillors. The executive management team consists of the Municipal Manager, Chief Financial Officer, Strategic Management Services, Chief Audit Executive and other Executive Managers.

Related party relationships where control exists is disclosed, irrespective of whether there have been transactions between the related parties. In the event that the municipality discloses related party transactions, the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments is disclosed. All transactions during the reporting period and balances at the end of the reporting period with related parties are disclosed.

3.25 Grants-in-aid

Mogale City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, Mogale City does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction; Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period during which the events giving rise to the transfer occurred.

3.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

Approved and contracted commitments;

Where the expenditure has been approved and the contract has been awarded at the reporting date; and where disclosure is required by a specific standard of GRAP. Where the expenditure can be reliably measured for disclosure requirements, both the operational and capital expenditure relating to the commitment is disclosed in the notes.

As and when contracts;

While the municipality may have a budget attached to the contract, there is no commitment/obligation to spend the allocated budget due to the nature of the contract. Spending on these contracts will only materialise on circumstances, which may arise in the future over which management has no control. As such, the commitments in terms of these contracts cannot be reliably measured and is disclosed in terms of a narration paragraph.

3.27 Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the financial statements are authorised for issue. Mogale City classifies these events as adjusting or non-adjusting events.

An adjusting event provides further evidence of conditions that existed at the reporting date and includes an event that indicates that the going concern assumption in relation to the whole or part of Mogale City is not appropriate. These events were accounted for in the financial statements.

A non-adjusting event is an event that is indicative of a condition that arose after the reporting date. Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements

3.28 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

The municipality discloses expenditure relating to repairs and maintenance of Property, Plant & Equipment in the notes to the Annual Financial Statements.

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Figures in Rand	2018	2017
2. Inventories		
Consumable stores	11 800 717	16 439 089
Water	605 382	400 873
Unsold Properties Held for Resale	7 246 306	-
Other (Sub Stores)	-	1 760 012
	19 652 405	18 599 974

Item K(ii) 01(08/2018)

During the year under review inventory to the amount of R45 676.87 was written off due to discrepancies identified during the annual stock count

Item K(ii) 02(08/2018)

Items to be written off as Obsolete stock amounts to R163 272.41

No inventory was pledged as security.

3. Receivables from non-exchange transactions

	2018 Gross balance	Allowance for impairment	Net balance	2017 Gross balance	Allowance for impairment	Net balance
Property rates	306 001 466	(265 539 732)	40 461 734	259 768 660	(255 260 971)	4 507 689
Other receivable: Traffic fines and SARS	161 509 742	(87 264 397)	74 245 345	200 636 069	(117 914 038)	82 722 031
Credit balances transfered to payables from non exchange	87 184 885	-	87 184 885	86 433 137	-	86 433 137
	554 696 093	(352 804 129)	201 891 964	546 837 866	(373 175 009)	173 662 857

Age Analysis (Property rates)

Current (0-30 days)	(28 085 809)	(299 243)
31-60 days	4 890 529	3 394 301
61-90 days	10 068 454	12 246 103
91-120 days	8 717 555	7 413 924
+ 120 days	310 410 737	237 013 575
	306 001 466	259 768 660

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3. Receivables from non-exchange transactions (continued)		
Age Analysis (other receivables and traffic fines)		
Current (0-30 days)	24 489 175	15 914 200
31-60 days	11 032 333	-
91-120 days	14 548 723	10 532 149
+ 120 days	111 439 511	174 189 720
	161 509 742	200 636 069
Credit balance transferred to creditors		
Current (0-30 days)	8 500 910	8 136 732
31-60 days	3 789 192	5 003 474
61-90 days	2 404 825	5 070 708
91-120 days	2 030 762	2 739 390
+ 120 days	70 459 196	65 482 833
	87 184 885	86 433 137
Receivables from non-exchange transactions pledged as security		
None of receivables from non-exchange transactions were pledged as security for overdraft facilities.		
Receivables from non-exchange transactions past due date but not impaired		
Rates	19 080 072	15 607 829
Other receivables and traffic Fines	49 756 171	18 275 892
Receivables from non-exchange transactions past due date but not impaired comprises of receivables past 30 days.		
Reconcillation of provision for impairment of receivables from non-exchange transactions		
Opening balance	373 175 009	467 849 424
Current year contribution	57 520 787	(12 041 664)
Bad debts	(77 891 667)	(82 632 751)
	352 804 129	373 175 009

As at 30 June 2018, total receivables from non exchange transactions were R 554 696 093 (2017: R546 837 866).

The amount of the provision for impairment was R352 804 129 as at 30 June 2018 (2017: R373 175 009). The percentage of the provision against total receivables from non exchange transactions was 63.60% as at 30 June 2018 (2017: 68.24%).

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4. Receivables from exchange transactions

Receivables per category	2018			2017		
	Gross balance	Allowance for Net balance impairment		Gross balance	Allowance for Net balance impairment	
Electricity	139 158 505	(120 757 958)	18 400 547	155 998 694	(78 449 591)	77 549 103
Water	177 355 487	(153 904 258)	23 451 229	155 193 302	(138 612 751)	16 580 551
Sundry debtors and loans	84 458 499	(54 148 034)	30 310 465	69 190 624	(37 127 003)	32 063 621
Sewerage	179 619 513	(155 868 918)	23 750 595	145 376 363	(125 782 272)	19 594 091
Refuse	192 680 899	(167 203 232)	25 477 667	176 399 112	(160 466 221)	15 932 891
Other(Output VAT, Rentals ,interest,disconnection & reconnection fees ,etc)	360 904 983	(313 183 508)	47 721 475	270 548 960	(236 873 062)	33 675 898
Subtotal	1 134 177 886	(965 065 908)	169 111 978	972 707 055	(777 310 900)	195 396 155
Sundry staff leave, Personal interim advances & Insurance	97 798	-	97 798	738 098	-	738 098
Credit balances transfered to payables from exchange transactions	5 731 053	-	5 731 053	5 778 540	-	5 778 540
	5 828 851	-	5 828 851	6 516 638	-	6 516 638
	1 140 006 737	(965 065 908)	174 940 829	979 223 693	(777 310 900)	201 912 793

Electricity

Current (0 -30 days)	49 208 299	49 031 937
31 - 60 days	6 574 016	8 243 096
61 - 90 days	6 514 834	15 056 288
91 - 120 days	5 821 347	6 250 801
121 - 365 days	71 040 009	77 416 572
	139 158 505	155 998 694

Water

Current (0 -30 days)	17 042 858	11 048 111
31 - 60 days	1 732 026	1 220 120
61 - 90 days	6 550 367	2 474 092
91 - 120 days	760 758	3 274 289
121 - 365 days	151 269 478	137 176 689
	177 355 487	155 193 301

Sewerage

Current (0 -30 days)	14 956 607	7 599 945
31 - 60 days	4 060 717	4 602 204
61 - 90 days	3 287 776	5 468 168
91 - 120 days	6 500 112	3 743 932
121 - 365 days	150 814 301	123 962 114
	179 619 513	145 376 363

Refuse

Current (0 -30 days)	5 981 052	6 407 279
31 - 60 days	(553 591)	3 406 419
61 - 90 days	3 328 025	3 827 615
91 - 120 days	2 942 051	3 221 432
121 - 365 days	180 983 362	159 536 367
	192 680 899	176 399 112

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Figures in Rand	2018	2017
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4. Receivables from exchange transactions (continued)

Sundry Debtors and Loans

Current (0 -30 days)	34 068 038	31 121 715
31 - 60 days	1 115 963	358 263
61 - 90 days	6 960 118	175 417
91 - 120 days	342 899	135 769
121 - 365 days	41 971 481	37 399 460
	84 458 499	69 190 624

Other

Current (0 -30 days)	23 409 587	19 861 682
31 - 60 days	22 398 215	4 851 091
61 - 90 days	8 740 957	6 126 698
91 - 120 days	8 994 265	4 416 123
121 - 365 days	297 361 959	235 293 366
	360 904 983	270 548 960

Receivable from exchange transactions impaired

As at 30 June 2018, total receivable from exchange transactions were R1 140 006 737 (2017: R979 223 693).

The amount of the provision was R965 065 908 as at 30 June 2018 (2017: R777 310 900). The percentage of the provision against total receivables from exchange transactions was 84.65% as at 30 June 2018 (2017: 79.38%)

Receivables from exchange transactions past due but not impaired:

Electricity	8 676 933	29 208 698
Water	11 058 625	6 643 915
Sewerage	11 199 794	13 041 784
Refuse	12 014 209	10 215 198
Other	22 503 465	14 966 485
Sundry debtors and loans	1 775 222	962 407
	67 228 248	75 038 487

Receivables from exchange transactions past due date but not impaired comprises of receivables past 30 days.

Reconciliation of allowance for impairment of receivables from exchange transactions

Balance at beginning of the year	777 310 900	603 472 927
Contributions to provision	200 000 385	186 883 396
Bad debts	(12 245 377)	(13 045 423)
	965 065 908	777 310 900

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	38 788	40 324
Bank balances	30 753 705	14 446 385
Call accounts money market accounts	9 582 348	30 265 665
	40 374 841	44 752 374

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Figures in Rand	2018	2017
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5. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for South African Post Office	500 000	500 000
Guarantee held at Standard Bank call account no:728430118-001 has been binded as guarantor to South African Post Office for payment of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment guarantee shall not exceed in aggregate the sum of R500 000.		

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Standard Bank-021307482	715 096	683 252	441 079	715 934	683 812	441 736
Standard Bank-021307474	1 399 851	269 872	6 618 120	1 399 851	269 872	6 618 120
Cheque Accounts						
Standard Bank- 021307385	2 137 790	49 872	33 773	2 137 790	49 872	33 773
Cheque Accounts						
Standard Bank- 021307172	333 189	115 934	231 162	333 268	115 231	200 138
Cheque Accounts						
Standard Bank- 021307105	2 794 413	829 967	1 839 765	2 794 689	833 005	1 840 124
Cheque Accounts						
Standard Bank-021306958	1 718 407	1 167 015	3 064 347	1 468 506	209 415	1 805 078
Cheque Accounts						
Standard Bank-021306532	21 742 565	12 235 927	15 148 839	21 742 801	12 235 483	15 145 791
Cheque Accounts						
Standard Bank-021457654	160 867	49 695	-	160 867	49 695	-
Cheque Accounts						
Call Account	9 582 348	30 265 665	41 173 489	9 582 348	30 265 665	41 173 489
Petty Cash	38 788	40 324	33 397	38 788	40 324	33 397
Total	40 623 314	45 707 523	68 583 971	40 374 842	44 752 374	67 291 646

2018

The differences between bank statement balances and the cash book balances amounting to R248 473 relates to transactions that are received after the cut off time for the day and are captured the next calander day, under the retrospective date.

In this case, these have been mainly attributed to bank charges and deposits going through the Cash Centre after cut-off hours (via Cash In Transit companies) and as such still captured after the cut off time of 20:00hrs pm, and therefore would not reflect on the same day's statement immediately.

2017

The differences between bank statement balances and the cash book balances amounting to R958 187 relates to transactions that are received after the cut off time for the day and are captured the next calander day, under the retrospective date.

In this case, these have been mainly attributed to bank charges and deposits going through the Cash Centre after cut-off hours (via Cash In Transit companies) and as such still captured after the cut off time of 20:00hrs pm, and therefore would not reflect on the same day's statement immediately.

6. Operating lease asset

Current assets	140 701	838 921
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Leases of assets where all the risks and rewards of ownership are effectively retained by lessor are classified as operating leases. Monies received under operating leases are charged to the Statement of Financial Performance on a straight-line basis over period of the lease. Operating lease receipts represent rental receivables by the municipality for properties leased. The terms are negotiated ranging from 6 months to 25 years. the rentals escalate on average of 10% per annum.

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Figures in Rand	2018	2017
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7. VAT receivable/(payable) (SARS)

VAT receivable	37 384 191	37 721 940
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VAT is payable on the cash basis which means that Output VAT is declared to SARS only when payment is received from debtors and Input VAT is claimed only when the municipality has paid its creditors. All VAT returns have been submitted by due date throughout the financial year.

8. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	665 386 614	-	665 386 614	502 001 258	-	502 001 258

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Derecognition	Total
Investment property	502 001 258	170 032 356	(6 647 000)	665 386 614

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	486 713 147	15 288 111	502 001 258

2018

Fair values of the investment property assets were established based on the amounts determined in the preparation of the valuation roll 2018. The values on the valuation roll are adjusted based on the market value which resulted in the net increase of R170 032 356 as disclosed.

2017

Fair values of the investment property assets were initially based on the amounts determined in the preparation of the valuation roll 2009, and they were subsequently aligned with the 2014 valuation roll. This has resulted in an adjustment of R15 288 111.

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9. Property, plant and Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	32 103 671	-	32 103 671	32 702 978	-	32 702 978
Buildings	547 797 116	(353 828 716)	193 968 400	546 881 910	(344 981 822)	201 900 088
Plant and machinery	23 811 963	(22 213 227)	1 598 736	27 902 478	(20 990 408)	6 912 070
Furniture and fixtures	17 828 147	(8 405 141)	9 423 006	16 141 539	(7 576 450)	8 565 089
Motor vehicles	18 979 009	(13 891 193)	5 087 816	17 358 434	(13 458 708)	3 899 726
Office equipment	5 664 082	(5 512 174)	151 908	5 732 761	(5 302 864)	429 897
IT equipment	22 770 346	(14 724 163)	8 046 183	22 761 684	(10 862 074)	11 899 610
Capital WIP Building Property	502 530	-	502 530	3 129 828	-	3 129 828
Capital WIP Community	244 958 931	-	244 958 931	114 964 559	-	114 964 559
Roads & Stormwater	3 613 781 999	(1 441 757 371)	2 172 024 628	3 576 989 055	(1 375 335 119)	2 201 653 936
Community	1 138 057 142	(461 151 193)	676 905 949	1 101 296 761	(430 042 900)	671 253 861
Capital WIP Roads & Stormwater	1 435 059	-	1 435 059	9 513 368	-	9 513 368
Capital WIP Sanitation Network	119 312 099	-	119 312 099	56 552 702	-	56 552 702
Capital WIP Electricity Network	48 322 434	-	48 322 434	21 890 977	-	21 890 977
Bins and containers	9 002 040	(7 527 812)	1 474 228	9 002 040	(6 531 135)	2 470 905
Capital WIP Movable Assets	14 769 607	-	14 769 607	7 286 742	-	7 286 742
Electricity Nertwork	2 794 021 312	(1 857 023 688)	936 997 624	2 801 716 082	(1 770 048 738)	1 031 667 344
Emergency Equipment	87 793	(65 698)	22 095	87 793	(49 668)	38 125
Leased Assets	145 564 073	(141 273 594)	4 290 479	141 633 141	(117 646 073)	23 987 068
Capital WIP Water Network	64 546 453	-	64 546 453	34 534 063	-	34 534 063
Animal PPE	10 216 960	(4 122 510)	6 094 450	8 344 502	(3 817 667)	4 526 835
Inventory Assets	1 917 337	(1 903 374)	13 963	1 910 149	(1 891 434)	18 715
Library Books	29 382 200	(16 134 068)	13 248 132	24 989 610	(15 839 663)	9 149 947
Wastewater Network	1 285 725 845	(800 686 613)	485 039 232	1 285 608 544	(766 696 809)	518 911 735
Water network	1 184 321 278	(666 213 419)	518 107 859	1 178 464 389	(630 534 183)	547 930 206
Air Conditioner	722 163	(719 169)	2 994	722 163	(718 674)	3 489
Total	11 375 601 589	(5 817 153 123)	5 558 448 466	11 048 118 252	(5 522 324 389)	5 525 793 863

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9. Property, plant and Intangible assets (continued)

Reconciliation of property, plant and intangible assets - 2018

	Opening balance	WIP Capital Expenditure	Donations	WIP Transfers (In/Out)	Derecognition	Provision (landfill site)	Depreciation	Additions	Impairment loss	Total
Land	32 702 978	-	-	-	(599 307)	-	-	-	-	32 103 671
Buildings	201 900 088	-	-	8 395 134	(7 479 928)	-	(8 846 894)	-	-	193 968 400
Plant and machinery	6 912 070	-	-	134 691	(4 225 206)	-	(1 222 819)	-	-	1 598 736
Furniture and fixtures	8 565 089	-	-	1 830 645	(144 037)	-	(828 691)	-	-	9 423 006
Motor vehicles	3 899 726	-	-	2 576 548	(955 973)	-	(432 485)	-	-	5 087 816
Office equipment	429 897	-	-	19 329	(88 008)	-	(209 310)	-	-	151 908
IT equipment	11 899 610	-	-	137 433	(128 771)	-	(3 862 089)	-	-	8 046 183
Capital WIP Building	3 129 828	6 900 692	-	(9 527 990)	-	-	-	-	-	502 530
Capital WIP Community	114 964 559	146 658 578	-	(16 664 206)	-	-	-	-	-	244 958 931
Roads & Stormwater	2 201 653 936	-	-	36 812 196	(19 253)	-	(66 422 251)	-	-	2 172 024 628
Community	671 253 861	-	-	25 447 274	-	11 313 107	(26 877 068)	-	(4 231 225)	676 905 949
Capital WIP Roads & Stormwater	9 513 368	18 984 680	-	(27 062 989)	-	-	-	-	-	1 435 059
Capital WIP Sanitation Network	56 552 702	69 847 819	-	(7 088 422)	-	-	-	-	-	119 312 099
Capital Electricity Network	21 890 977	36 974 058	-	(10 542 601)	-	-	-	-	-	48 322 434
Bins and containers	2 470 905	-	-	-	-	-	(996 677)	-	-	1 474 228
Capital WIP Movable Assets	7 286 742	19 142 204	-	(11 659 339)	-	-	-	-	-	14 769 607
Electricity Network	1 031 667 344	-	-	793 393	(8 488 163)	-	(86 974 950)	-	-	936 997 624
Emergency Equipment	38 125	-	-	-	-	-	(16 030)	-	-	22 095
Leased Assets	23 987 068	-	-	-	-	-	(23 627 522)	3 930 933	-	4 290 479
Capital WIP Water Network	34 534 063	35 788 692	-	(5 776 302)	-	-	-	-	-	64 546 453
Animals PPE	4 526 835	-	-	1 872 458	-	-	(304 843)	-	-	6 094 450
Inventory Assets	18 715	-	-	7 188	-	-	(11 940)	-	-	13 963
Library Books	9 149 947	-	107 933	4 284 657	-	-	(294 405)	-	-	13 248 132
Wastewater Network	518 911 735	-	-	117 300	-	-	(33 989 803)	-	-	485 039 232
Water Network	547 930 206	-	-	5 893 603	(36 714)	-	(35 679 236)	-	-	518 107 859
Air Conditioner	3 489	-	-	-	-	-	(495)	-	-	2 994
	5 525 793 863	334 296 723	107 933	-	(22 165 360)	11 313 107	(290 597 508)	3 930 933	(4 231 225)	5 558 448 466

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9. Property, plant and Intangible assets (continued)

Repairs and maintenance

All repairs and maintenance amounting to R94 810 158 were incurred in respect of property, plant and equipment. Refer to note 41.

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9. Property, plant and Intangible assets (continued)

Reconciliation of property, plant and intangible assets - 2017

	Opening balance	WIP Capital Expenditure	Donations	WIP Transfers (In/Out)	Derecognition	Provision (landfill site)	Depreciation	Additions	Total
Land	32 702 978	-	-	-	-	-	-	-	32 702 978
Buildings	216 536 632	-	-	947 277	(68 397)	-	(15 515 424)	-	201 900 088
Plant and machinery	10 849 665	-	-	196 330	(394)	-	(4 133 531)	-	6 912 070
Furniture and fixtures	5 644 792	-	2 201 244	1 567 596	(2 060)	-	(846 483)	-	8 565 089
Motor vehicles	6 366 146	-	-	-	(40 246)	-	(2 426 174)	-	3 899 726
Office equipment	697 863	-	-	106 948	(3 264)	-	(371 650)	-	429 897
IT equipment	5 996 226	-	-	9 166 507	(4 496)	-	(3 258 627)	-	11 899 610
Capital WIP Building Property	1 970 680	2 110 734	-	(951 586)	-	-	-	-	3 129 828
Capital WIP Community	95 383 038	85 190 626	-	(65 609 105)	-	-	-	-	114 964 559
Roads & Stormwater	2 198 610 445	-	-	71 742 714	(8 049 485)	-	(60 649 738)	-	2 201 653 936
Community	632 929 965	-	-	68 474 777	(6 573 079)	787 696	(24 365 498)	-	671 253 861
Capital WIP Roads & Stormwater	42 265 661	42 080 494	-	(74 832 787)	-	-	-	-	9 513 368
Capital WIP Sanitation Network	81 639 549	28 718 055	-	(53 804 902)	-	-	-	-	56 552 702
Capital WIP Electricity Network	52 441 091	13 044 135	-	(43 594 249)	-	-	-	-	21 890 977
Bins and containers	2 974 073	-	-	875 044	(83 134)	-	(1 295 078)	-	2 470 905
Capital WIP Movable Assets	5 761 164	8 599 276	-	(7 073 698)	-	-	-	-	7 286 742
Electricity Network	1 042 736 143	-	5 317 818	32 561 394	-	-	(48 948 011)	-	1 031 667 344
Emergency Equipment	67 702	-	-	-	-	-	(29 577)	-	38 125
Leased assets	47 084 007	-	-	-	-	-	(41 285 014)	18 188 075	23 987 068
Capital WIP Water Network	63 363 398	32 287 699	-	(61 117 034)	-	-	-	-	34 534 063
Animals PPE	2 974 081	-	1 881 951	-	(19 751)	-	(309 446)	-	4 526 835
Inventory assets	81 814	-	-	41 200	-	-	(104 299)	-	18 715
Library books	8 472 546	-	1 713 789	1 825 220	-	-	(2 861 608)	-	9 149 947
Wastewater Network	492 993 930	-	2 799 753	56 833 526	(472 644)	-	(33 242 830)	-	518 911 735
Water Network	520 009 015	-	-	62 669 687	(875 487)	-	(33 873 009)	-	547 930 206
Air conditioner	7 584	-	-	-	-	-	(4 095)	-	3 489
	5 570 560 188	212 031 019	13 914 555	24 859	(16 192 437)	787 696	(273 520 092)	18 188 075	5 525 793 863

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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10. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	35 048 286	(30 211 058)	4 837 228	30 850 862	(23 066 228)	7 784 634
Capital WIP - Intangible assets	494 076	-	494 076	-	-	-
Total	35 542 362	(30 211 058)	5 331 304	30 850 862	(23 066 228)	7 784 634

Reconciliation of intangible assets - 2018

	Opening balance	WIP Capital Expenditure	WIP Transfer to Additions	Amortisation	Impairment loss	Total
Computer software	7 784 634	-	4 197 424	(7 144 830)	-	4 837 228
Capital WIP - Intangible assets	-	5 185 576	(4 197 424)	-	(494 076)	494 076
	7 784 634	5 185 576	-	(7 144 830)	(494 076)	5 331 304

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Impairment loss	Total
Computer software	13 937 950	(6 150 951)	(2 365)	7 784 634

11. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Library Books, Chief Mogale Statue & Conetration Camp Graves	2 466 041	-	2 466 041	2 466 041	-	2 466 041

Reconciliation of heritage assets 2018

	Opening balance	Total
Library Books, Chief Mogale Statue & Conetration Camp Graves	2 466 041	2 466 041

Reconciliation of heritage assets 2017

	Opening balance	WIP Transfer/Addit ions	Total
Library books, Chief Mogale Statue & Concentration camp graves	2 451 665	14 376	2 466 041

12. Financial assets

Residual interest at cost

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12. Financial assets (continued)		
Listed shares	683 884	632 448
Listed shares (9670 interest in ordinary shares)		
These listed shares held by Sanlam Pty Ltd and were valued at a market value of R70.07 (2017: R64.80) per share (level 1)		
At amortised cost		
Investments	-	79 674 351
These investments are held by RMB (Rand Merchant Bank) which are sinking funds for the long term loans maturing in December 2017.		
	-	-
	683 884	632 448
	-	79 674 351
Total other financial assets	683 884	80 306 799
Non-current assets		
Residual interest at cost	683 884	632 448
Current assets		
At amortised cost	-	79 674 351
Non-current assets	683 884	632 448
Current assets	-	79 674 351
	683 884	80 306 799
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 1		
Listed shares (9670 interest in ordinary shares)	683 884	632 448

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13. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Medical aid fund	(183 014 219)	(175 701 975)
Long service awards	(61 963 292)	(54 385 159)
Ex-gratia benefits	(678 835)	(772 845)
	(245 656 346)	(230 859 979)
Non-current liabilities	(231 783 872)	(219 873 021)
Current liabilities	(13 872 474)	(10 986 958)
	(245 656 346)	(230 859 979)

The employee benefit obligations were prepared by ARCH Actuarial Consulting.

Changes in the present value of the defined benefit obligation are as follows: Medical aid subsidy

Opening balance	175 701 974	176 483 959
Net expense recognised in the statement of financial performance	7 312 244	(781 985)
	183 014 218	175 701 974

Changes in the present value of the defined benefit obligation are as follows: Long service award

Opening balance	54 385 159	54 216 439
Net expense recognised in the statement of financial performance	7 578 133	168 720
	61 963 292	54 385 159

Changes in the present value of the defined benefit obligation are as follows: Ex-gratia benefits

Opening balance	772 845	859 482
Net expense recognised in the statement of financial performance	(94 011)	(86 637)
	678 834	772 845

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13. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance:Medical aid subsidy		
Current service cost	7 831 854	8 276 299
Past service cost	(5 694 577)	(5 469 881)
Interest cost	15 968 773	15 870 104
Actuarial (gains) losses	(10 793 806)	(19 458 507)
	7 312 244	(781 985)
Net expense recognised in the statement of financial performance:Long service award		
Current service cost	4 416 957	4 562 713
Past service cost	(6 837 084)	(7 704 957)
Interest cost	4 369 869	4 350 709
Actuarial (gains) losses	5 628 391	(1 039 745)
	7 578 133	168 720
Net expense recognised in the statement of financial performance:Ex-gratia benefits		
Past service cost	(184 931)	(211 166)
Interest cost	61 015	68 811
Actuarial (gains) losses	29 905	55 718
	(94 011)	(86 637)

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13. Employee benefit obligations (continued)

Key assumptions used: Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	9.61 %	9.23 %
Expected rate of return on assets	7.42 %	7.54 %
Expected increase in salaries	2.04 %	1.58 %

The basis used to determine the discount rate

A discount rate of 9.61% per annum has been used. The corresponding index-linked yield at this term is 3.01%. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 29 June 2018.

The rate is calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Health Care Cost Inflation Rate

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7.42% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.92%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.04% which derives from $((1+9.61\%)/(1+7.42\%))-1$.

The expected inflation assumption of 5.92% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.01%) and those of fixed interest bonds (9.61%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.61\%-0.50\%)/(1+3.01\%))-1$.

The next contribution increase was assumed to occur with effect from 1 January 2019.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		124.012	59.002	183.014	
Health care	+1%	133.987	60.708	194.695	6%
inflation	-1%	110.914	56.789	167.703	-8%
Discount Rate	+1%	104.858	54.851	159.708	-13%
	-1%	148.300	63.760	212.060	16%
Post-retirement Mortality	-1yr	127.397	61.204	188.602	3%
Average retirement age	-1yr	134.625	59.002	193.628	6%

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13. Employee benefit obligations (continued)

Continuation of membership at retirement	-10%	104.227	59.002	163.230	-11%
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Sensitivity Analysis on the current-service and interest costs for the year ending 30 June 2018

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		7,831,900	15,968,800	23,800,700	
Health care	+1%	8,524,100	16,956,600	25,480,700	7%
inflation	-1%	6,853,300	14,634,500	21,487,800	-10%
Discount Rate	+1%	6,461,800	15,322,100	21,783,900	-8%
	-1%	9,608,700	16,636,700	26,245,400	10%
Post-retirement Mortality	-1yr	8,051,900	16,476,700	24,528,600	3%
Average retirement age	-1yr	8,304,000	16,924,100	25,228,100	6%
Continuation of membership at retirement	-10%	6,550,900	14,176,900	20,727,800	-13%

Key assumptions used: Long service award

Assumptions used at the reporting date:

Discount rates used	8.53 %	8.43 %
Expected rate of return on assets	6.15 %	6.25 %
Expected increase in salaries	2.24 %	2.05 %

The basis used to determine the discount rate

A discount rate of 8.53% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.53% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.74%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 29 June 2018.

The liability-weighted average term of the total liability is 6.57 years.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.

The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 5.15% was obtained from the differential between market yields on index-linked bonds (2.74%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.53%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.53\%-0.50\%)/(1+2.74\%))-1$.

Thus, a general salary inflation rate of 6.15% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.24%.

It has been assumed that the next salary increase will take place on 1 July 2019.

Sensitivity Results

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13. Employee benefit obligations (continued)

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	Total Liability	% Change
Central Assumptions		61.963	
General salary inflation	+1%	65.677	6%
	-1%	58.573	-5%
Discount Rate	+1%	58.405	-6%
	-1%	65.932	6%
Average retirement age	-2 yrs	55.202	-11%
	+2 yrs	68.303	10%
Withdrawal Rate	-50%	71.637	16%

Sensitivity Analysis on the current-service and interest costs for the year ending 30 June 2018

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		4,417,000	4,369,900	8,786,900	
General salary inflation	+1%	4,768,900	4,656,500	9,425,400	7%
	-1%	4,100,700	4,108,600	8,209,300	-7%
Discount Rate	+1%	4,127,500	4,582,400	8,790,900	-1%
	-1%	4,743,800	4,120,800	8,864,600	1%
Average retirement age	-2 yrs	4,000,200	3,867,100	7,867,300	-10%
	+2 yrs	4,794,300	4,847,700	9,642,000	10%
Withdrawal Rate	-50%	5,620,400	5,125,400	10,745,800	22%

Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	8.43 %	8.28 %
Expected rate of return on assets	6.13 %	6.09 %
Expected increase in salaries	2.17 %	2.07 %

The basis used to determine the discount rate

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13. Employee benefit obligations (continued)

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

A discount rate of 8.43% per annum has been used. The corresponding index-linked yield at this term is 2.66%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 29 June 2018.

The yields were determined by looking at the average term of the liability component and finding the fixed-interest and /index-linked gilt yields at the relevant duration of the JSE (Best Decency) Zero Coupon bond yield curve.

CPI Inflation Rate: This assumption is used to calculate the estimated growth in salaries of the eligible employees.

An expected inflation assumption of 5.13% was obtained from the differential between market yields on index-linked bonds (2.66%) consistent with the estimated term of the liability and those of fixed-interest bonds (8.43%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $(1+8.43\%-0.50\%)/(1+2.66\%)$.

Thus, a salary increase rate of 6.13% per annum over the expected term of the liability has been assumed, which is 1% in excess of Expected CPI inflation.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year decrease in the assumed average retirement age.

Sensitivity Analysis on the unfunded Accrued Liability (R Millions)

Assumption	Change	Total Liability	%change
Central assumptions		678,834	
Benefit increase rate	+1%	705,087	4%
	-1%	653,532	-4%
Discount rate	+1%	654,280	-4%
	-1%	704,763	4%
Average retirement age	-1 yr	708,768	4%

Sensitivity Analysis on the interest costs for the year ending 30 June 2018

Assumption	Change	Interest Cost	% Change
Central Assumptions		61,015	
Benefit Increase rate	+1%	63,795	5%
	-1%	58,357	-4%
Discount Rate	+1%	65,495	7%
	-1%	56,060	-8%
Average retirement age	-1 yr	59,062	3%

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14. Finance lease obligation		
Minimum lease payments due		
- within one year	17 498 448	34 330 191
- in second to fifth year inclusive	3 207 533	17 559 308
- later than five years	1 870 923	1 986 376
	22 576 904	53 875 875
less: future finance charges	(5 826 974)	(12 346 361)
Present value of minimum lease payments	16 749 930	41 529 514
Present value of minimum lease payments due		
- within one year	13 989 050	26 005 017
- in second to fifth year inclusive	1 810 657	14 586 325
- later than five years	950 223	938 171
	16 749 930	41 529 513
Non-current liabilities	2 760 880	15 524 496
Current liabilities	13 989 050	26 005 017
	16 749 930	41 529 513

The average lease term for buildings leased is 30 years at an effective borrowing rate of 13.50% . With fixed contract interest rates from inception. Repayment of leases are fixed, or may escalate and some may fluctuate with the prime lending rate depending on the terms agreed upon.

Assets acquired through finance leases - 2018	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	158 473	-	(10 188)	148 285
Vehicles	36 135 785	-	(25 747 773)	10 388 012
Equipment	-	2 607 689	(217 307)	2 390 382
Subtotal	36 294 258	2 607 689	(25 975 268)	12 926 679
	36 294 258	2 607 689	(25 975 268)	12 926 679

Assets acquired through finance leases - 2017	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	168 661	-	(10 188)	158 473
Vehicles	48 245 628	27 811 832	(31 570 611)	44 486 849
Equipment	5 325	-	(5 325)	-
Subtotal	48 419 614	27 811 832	(31 586 124)	44 645 322
	48 419 614	27 811 832	(31 586 124)	44 645 322

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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Municipal Infrastructure Grant (MIG)	8 826 587	-
Department of Sports, Arts, Culture and Recreation (SRAC)	24 387	2 835 665
Financial Management Grant (FMG)	2	66 976
Water Services Infrastructure Grant (WSIG)	2 109 604	5 352 289
Human Settlement Development Grant (HSDG)	13 383 732	596 840
	24 344 312	8 851 770

The nature and extent of conditional grants and subsidies recognised in the annual financial statements and the Accounting treatment of conditional grants is explained below:

Conditional grants should only be treated as 'transfers' recognised to revenue when the grant revenue has been 'earned' by spending it in accordance with the conditions of the grant.

Any unfulfilled conditions and unspent conditional grants and subsidies will be addressed in terms of section 22 of the Division of Revenue Act and criteria for the roll-overs of unspent conditional grant funds.

See note 31 for reconciliation of grants from National/Provincial Government.

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Landfill site rehabilitation	22 775 158	-	-	(2 378 738)	20 396 420
Provision for performance bonuses	17 264 515	1 789 633	(14 393 777)	-	4 660 371
	40 039 673	1 789 633	(14 393 777)	(2 378 738)	25 056 791

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Landfill site rehabilitation	19 638 455	-	-	-	3 136 703	22 775 158
Provision for performance bonuses	15 272 550	6 689 542	(2 635 805)	(2 061 772)	-	17 264 515
	34 911 005	6 689 542	(2 635 805)	(2 061 772)	3 136 703	40 039 673
Non-current liabilities					20 396 420	22 775 158
Current liabilities					4 660 371	17 264 515
					25 056 791	40 039 673

In terms of the review performed by Aurecon provision required for restoration of the existing landfill sites is as follows:

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16. Provisions (continued)

1. The Luipaardsvlei Landfill Site has 4 years remaining life of landfill site. The estimated year of site closure is 2021/22. The estimated time between site closure and commencement of rehabilitation work is 2 years. The estimated start of rehabilitation work is 01 July 2024.

2. The Magaliesburg Landfill Site has zero remaining life of landfill site. The estimated year of site closure is 2017/18. The estimated time between site closure and commencement of rehabilitation work is 2 years. The estimated start of rehabilitation work is 01 July 2020.

3. Based on the above, and the prevailing discount rate of 11.5% (based on prime + 1%), the provisions at 30 June 2018 will be as follows:

	2018	2017
a. Luipaardsvlei Landfill Site	R15 400 673.52	R17 909 879
b. Magalies Landfill Site	R4 995 746.94	R4 865 279
Total Provision	R20 396 420.46	R22 775 158

17. Payables from non-exchange transactions

Grants transferred to payables from non-exchange transactions	2 601 038	2 601 038
Credit balance transferred from receivables from non-exchange	87 184 885	86 433 137
	89 785 923	89 034 175

The request for roll-over unspent on Human Settlement Grant was not approved by Gauteng Provincial Treasury. The amount of R2 295 010.54 was transferred to payables from non-exchange transactions.

The request for roll-over unspent on GDARD grant was not approved by Gauteng Provincial Treasury. The amount of R306 027 was transferred to payables from non-exchange transactions.

18. Payables from exchange transactions

Trade payables	533 305 321	554 315 478
Credit balance transferred from receivables from exchange transactions	5 731 053	5 778 540
Third Party payments	2 657 236	1 609 703
Unpresented cheques	37 773 166	15 970 732
Inventory in transit	-	4 550
Unallocated cash	23 783 593	20 559 059
Retention	33 918 404	30 537 083
Overtime accrual	2 843 633	2 590 257
Leave accrual	63 821 114	56 971 730
Bonus accrual	14 253 785	12 467 027
	718 087 305	700 804 159

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19. Financial liabilities		
At amortised cost		
DBSA L103217 (1)	1 680 813	5 043 602
An unsecured fixed term loan bearing interest at a rate of 12.11% per annum, repayable monthly in equal instalments. This loan will be fully paid on 31 October 2018.		
DBSA L103217(2)	337 608	1 042 526
An unsecured fixed term loan bearing interest at a rate of 6.65% per annum, repayable monthly in equal instalments. This loan will be fully paid on 31 October 2018.		
ABSA	22 957 102	28 103 729
An unsecured fixed-term loan bearing interest at a fixed rate of 10.16% per annum, repayable monthly in equal instalments. This loan will be fully paid on 2 August 2021.		
NEDBANK	146 302 665	155 570 017
An unsecured fixed-term loan bearing interest at a fixed rate of 9.21% per annum, repayable monthly in equal instalments. This loan will be fully paid on 31 December 2027.		
L239DBSA2029	183 818 503	199 865 321
An unsecured fixed-term loan bearing interest at a fixed rate of 9.875% per annum, repayable monthly for a period of 15 years.		
DBSA 10935	-	87 545 508
A total of 17 structured 20-year loans to the value of R90 million in total bearing interest at a fixed rate of 15% per annum, of which these loans are repayable semi-annually in unequal instalments of fixed interest over 20 years and the balance of R84 million payable in one instalment on 31 March 2018. The bullet repayment of the R84 million capital will be financed from a 20 year sinking fund guaranteed investment trust purchased from Rand Marchant and Momentum Investments.		
	355 096 691	477 170 703
Total other financial liabilities	355 096 691	477 170 703
2018		
During the year under review Mogale City did not source loan financing.		
2017		
During this financial year, Mogale City did not source loan financing.		
Non-current liabilities		
At amortised cost	320 431 059	370 947 767
Current liabilities		
At amortised cost	34 665 632	103 066 997
20. Sundry deposits		
Services deposits	12 146 360	11 332 528
Sundry deposits consists of hall, kerb, builder's water and key deposits.		
21. Consumer deposits		
Electricity and water	55 761 432	57 440 779

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22. Long term receivables

	Gross balance			Gross balance		
	Gross balance	2018 Allowance for impairment	Net balance	Gross balance	2017 Allowance for impairment	Net balance
Reconciliation of Non-Current Receivables						
Sundry loans	-	-	-	2 998	(2 998)	-
Stand and housing loans capital	218 540	(218 540)	-	222 112	(222 112)	-
	218 540	(218 540)	-	225 110	(225 110)	-

Non-current receivables impaired

As at 30 June 2018, the total long term receivables of R 218 540 (2017: R 225 110) were impaired.

The ageing of these receivables is as follows:

	-	-
Current (0 - 30 days)	-	385
31 - 60 days	-	26
61 - 90 days	-	25
91 - 120 days	-	26
120+	218 540	224 648
	218 540	225 110

Reconciliation of provision for impairment of non-current receivables

Opening balance	225 110	625 832
Current year contribution/reversal	(6 570)	(400 722)
	218 540	225 110

23. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions (refer to note 3)	-	201 891 964	201 891 964
Receivables from exchange transactions (refer to note 4)	-	174 940 829	174 940 829
Cash and cash equivalents (refer to note 5)	-	30 792 493	30 792 493
Call accounts money market accounts (refer to note 5)	-	9 582 348	9 582 348
Financial assets (refer to note 12)	683 884	-	683 884
	683 884	417 207 634	417 891 518

Financial liabilities

	At amortised cost	Total
Current and non-current finance lease obligation (refer to note 14)	16 749 930	16 749 930
Payables from non-exchange transactions (refer to note 17)	89 785 923	89 785 923
Payables from exchange transactions (refer to note 18)	718 085 305	718 085 305
Current financial liabilities (refer to note 19)	34 665 632	34 665 632
Non-Current financial liabilities (refer to note 19)	320 431 059	320 431 059
Sundry deposits (refer to note 20)	12 146 360	12 146 360

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Figures in Rand	2018	2017
23. Financial instruments disclosure (continued)		
Consumer deposits (refer to note 21)	55 761 432	55 761 432
	1 247 625 641	1 247 625 641

2017

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions (refer to note 3)	-	173 662 857	173 662 857
Receivables from exchange transactions (refer to note 4)	-	201 912 792	201 912 792
Cash and cash equivalents (refer to note 5)	-	14 486 709	14 486 709
Call accounts money market accounts (refer to note 5)	-	30 265 665	30 265 665
Financial assets (refer to note 12)	632 448	79 674 351	80 306 799
	632 448	500 002 374	500 634 822

Financial liabilities

	At amortised cost	Total
Current and non-current finance lease obligation (refer to note 14)	41 529 513	41 529 513
Payables from non-exchange transactions (refer to note 17)	89 034 175	89 034 175
Payables from exchange transactions (refer to note 18)	700 804 159	700 804 159
Current financial liabilities (refer to note 19)	103 066 997	103 066 997
Non-Current financial liabilities (refer to note 19)	370 947 767	370 947 767
Sundry deposits (refer to note 20)	11 332 528	11 332 528
Consumer deposits (refer to note 21)	57 440 779	57 440 779
	1 374 155 918	1 374 155 918

24. Service charges

Sale of electricity	863 775 566	862 150 200
Sale of water	333 440 049	313 182 267
Sewerage and sanitation charges	191 170 212	160 152 468
Refuse removal	127 699 975	119 381 183
	1 516 085 802	1 454 866 118

25. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	7 033 510	3 459 111
Rental of sports grounds	96 881	73 065
Rental of laps and carports	82 208	83 380
Rental of halls	241 336	316 267
Other rentals	117 485	115 265
	7 571 420	4 047 088

26. Income from agency services

Agency Service	25 621 528	25 428 001
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Income from Agency Services is recognised on a monthly basis once the income collected on behalf of Provincial Department of Transport has been quantified. The income recognised is in terms of the agreement.

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27. Operational revenue		
Actuarial gains	10 793 807	20 498 227
Administration fees	281 124	317 236
Advertising	616 773	2 990 975
Application fees	496 831	496 404
Building plan fees	3 715 431	3 247 118
Bulk service connections	4 671 222	4 571 069
Cemetery fees	2 559 214	2 524 839
Contributions Developers	5 772 364	3 004 247
Insurance claims	74 645	1 063 889
WRDM-MWIG	2 071 160	-
Miscellaneous income	5 772 841	2 777 164
Service connections	7 496 387	6 990 093
Donations/Assets transferred (Assets aquired at no cost)	107 933	10 161 931
Fair value shares	51 435	43 334
Salaries recovered	-	481 440
Training grant	1 020 089	-
Housing Development Agency	26 947 475	23 954 854
Meter tampering - Water	2 273 580	582 291
	74 722 311	83 705 111

2018

Assets acquired at no cost/donations

The donation was received for library books.

2017

Assets acquired at no cost & donations

There was an increase in the number of certain animals in the Game Reserve and these have been recorded as assets acquired at no cost. The main donation is in respect of electricity network substation which was built by the developer in Homes Haven and donated to the municipality.

28. Interest received - Outstanding debtors

Interest received	39 130 115	30 538 473
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29. Investment revenue

Dividend revenue

Dividends	22 643	20 925
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Interest revenue

Interest on investment	6 909 484	12 840 590
Interest on favourable balances	1 615 347	785 040
	8 524 831	13 625 630

Total revenue from investments	8 547 474	13 646 555
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30. Property rates

Rates received

Residential	476 891 993	459 999 841
Commercial & Educational Institutions	254 230 411	230 252 264
Small holdings and farms	29 579 413	29 374 136
Less: Income forgone (Rebates)	(261 880 790)	(250 764 347)
	498 821 027	468 861 894

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31. Transfers and subsidies

Operating grants

Equitable share	323 937 999	285 456 000
Municipal Infrastructure Grant (MIG)	1 668 062	2 031 414
Expanded public works programme (EPWP)	4 917 000	1 089 000
WRDM: HIV/AIDS Grant	3 200 316	3 084 820
Sport, Art, Culture and Recreation (SRAC)	7 251 629	5 824 486
Finance Management Grant (FMG)	1 526 976	1 408 024
	342 501 982	298 893 744

Capital grants

Department of Energy (DoE)	6 000 000	-
Water Services Infrastructure grant (WSIG)	33 242 685	14 647 711
Municipal Infrastructure Grant (MIG)	118 900 352	99 419 229
Human Settlement Development Grant (HSDG)	92 482 107	19 403 160
Sport, Art, Culture and Recreation (SRAC)	10 839 650	9 012 029
Neighbourhood Development Partnership Grant (NDPG)	21 235 000	-
Finance Management Grant (FMG)	89 998	-
	282 789 792	142 482 129
	625 291 774	441 375 873

Conditional

Included in above are the following grants and subsidies received:

Conditional grants met

Expanded Public Works Programme (EPWP)	4 917 000	1 089 000
Neighbourhood Development Partnership Grant (NDPG)	21 235 000	-
Municipal Infrastructure Grant (MIG)	-	101 450 643
Department of Energy (DoE)	6 000 000	-
West Rand District Municipality (WRDM)	3 200 316	3 084 820
Conditions met - transferred to revenue	(35 352 316)	(105 624 463)
	-	-

2018

Conditional grants still to be met

	Balance unspent at the beginning of the year	Current year receipts	Conditions met-transferred to revenue	Condition still to be met-transferred to liabilities
Municipal Infrastructure Grant (MIG)	-	129 395 000	(120 568 413)	8 826 587
Finance Management Grant (FMG)	66 976	1 550 000	(1 616 974)	2
Department of Sports, Arts, Culture and Recreation (SRAC)	2 835 665	15 280 000	(18 091 278)	24 387
Water Services Infrastructure Grant (WSIG)	5 352 289	30 000 000	(33 242 685)	2 109 604
Human Settlement Development Grant	596 840	105 269 000	(92 482 108)	13 383 732
	8 851 770	281 494 000	(266 001 458)	24 344 312

2017

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Figures in Rand				2018	2017
31. Transfers and subsidies (continued)					
Conditional grants still to be met	Balance unspent at the beginning of the year	Current year receipts	Conditions met-transferred to revenue	Transfers	Condition still to be met-transferred to liabilities
Water Services Infrastructure Grant (WSIG)	-	20 000 000	(14 647 711)	-	5 352 289
Finance Management Grant (FMG)	-	1 475 000	(1 408 024)	-	66 976
Department of Sports, Arts, Culture and Recreation (SRAC)	1 972 180	15 700 000	(14 836 515)	-	2 835 665
Human Settlement Development Grant (HSDG)	-	20 000 000	(19 403 160)	-	596 840
Municipal Infrastructure Grant (MIG)	11 709 643	93 514 000	(101 450 643)	(3 773 000)	-
	13 681 823	150 689 000	(151 746 053)	(3 773 000)	8 851 770

Unspent Grants

During the current financial year Mogale City received a total of R625 291 774 for operational and capital grants. Mogale City managed to spend 96,10% of the total grants received amounting to R600 947 462.

The remaining 3,90% amounting to R24 344 312 relates to unspent grants which still needs to meet the conditions. Refer to note 15 details on the unspent grants.

32. Fines, penalties and forfeits

Traffic fines	20 252 600	8 520 375
Penalties imposed	51 638 616	40 421 258
Library fines	6 471	6 016
	71 897 687	48 947 649

Revenue from traffic fines is recognised on the accrual basis. The municipality did not issue speed camera fines during the current and previous financial year.

Revenue received from penalties imposed relates to income received from reconnections of water and electricity which is disconnected due to non payment.

33. Fair value adjustments

Investment property fair value adjustments	226 242 183	15 288 111
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2018

Fair value adjustment

During the current financial year the valuation roll was updated with the new fair values of the properties in the Municipality. As the Investment Property is accounted for using the fair value model, the fair value is according to the valuation roll.

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34. Employee related costs		
Basic salaries	433 510 248	386 756 074
Bonus	47 027 898	45 722 880
Medical aid - company contributions	29 151 839	27 385 127
UIF	2 900 119	2 833 867
Industrial council levy	170 707	159 057
Leave provision and payments	1 914 632	4 350 068
Defined contribution plans	77 250 768	67 748 400
Overtime payments	33 322 104	37 999 977
Long-service awards	251 244	854 453
Acting allowances	2 923 721	5 301 931
Car allowance	46 547 090	44 618 202
Housing subsidy	3 300 752	3 127 132
Section 57 Salaries	14 369 260	15 994 651
	692 640 382	642 851 819
35. Remuneration of councillors		
Executive Mayor	1 021 585	871 999
Chief Whip	777 249	723 361
Speaker	825 874	734 750
Municipal Public Accounts Committee (MPAC)	760 422	208 747
Mayoral Committee Members	7 771 713	6 325 027
Other Councillors	22 183 733	20 305 515
	33 340 576	29 169 399
36. Depreciation and amortisation		
Property, plant and equipment	290 597 509	273 520 092
Intangible assets	7 144 830	6 150 951
	297 742 339	279 671 043
37. Impairment of assets		
Impairments		
Property, plant and Intangible assets	4 725 301	2 365
	4 725 301	2 365
	-	-
38. Finance costs		
Interest paid	52 959 596	52 697 212
39. Debt impairment		
Contributions to debt impairment provision	218 236 064	152 071 458
40. Collection cost		
Collection costs	45 107 118	35 246 880
41. Bulk purchases		
Electricity	629 105 082	660 789 776

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41. Bulk purchases (continued)		
Water	220 904 003	223 426 957
Sewer purification	5 915 098	5 592 290
	855 924 183	889 809 023

2018

Electricity Losses

During the year under Review MCLM had unaccounted electricity of 6.43% 45,159,499.91kwh (10.09 %: 2017, 73,295,951.43kwh) . The total rand value of these losses were R 34,515,394.88 (R 44,672,025.13: 2017). The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

The reduction in electricity losses in the 2017/18 financial year were due to a number of interventions applied:

Installation of meters in unmetered supply points

Replacement of faulty meters

Termination of illegal connections

Repair of tampered meters

Performing a count of municipal streetlights to obtain a reasonable estimate of internal consumption

Monitoring & Management of the Ripple Control System,

Quarterly monitoring, physical inspections and sealing of prepayment meters,

Monitoring Power Factor Correction equipment's on our big substations,

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2018

2017

41. Bulk purchases (continued)

Continue installing meters on streetlight controllers to monitor their consumption.

2017

Electricity Losses

During the year under consideration MCLM had unaccounted electricity of 10.09% 73,295,951.43kwh (8.69 %: 2016, 64,070,455.05kwh) . The total rand value of these losses were R 44,672,025.13 (R 37,421,201.68: 2016) .The inherent distribution losses of an electricity distribution system (technical losses) can be anything between (6.5% and 10%) depending on the magnitude of the electricity distribution and whether the distribution system is based on latest engineering technology and practice or if it consist of the very old engineering practice of 30-50 years ago like many of the older municipal distribution systems.The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses.This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs.The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

Electricity distribution losses are calculated after taking the following into account:

- Transmission losses;
- Municipal consumption;
- Free basic electricity; and
- Theft.

Electric transmission losses represents losses that arise from the resistance when electricity is transmitted from Eskom to Mogale

City Local Municipality and to the end user. This amount of electricity lost is dependent on the specific conductors, the current flowing, and the length of the transmission line. This loss is not under the control of Mogale City

2018

Water Losses

During the year under consideration MCLM had unaccounted water of 15.81% (non-technical losses), 6,855,457.03 kl. The total rand value of these non-technical losses were R 57,068,161.52.

Some of the key success factors were as a result of the following actions that were taken:

The Prepaid Meter Installation and audits on the prepaid water meters

The municipality had been installing prepaid water meters to various consumers over a period of three years. These meters were installed in areas where the old meters were no longer functional. The meter installation programme assisted the Municipality in accounting for water provided to at least 30,000 consumers. These meters were provided to indigents as well as those consumers who could afford to pay.

From the 30,000 new installations the municipality became aware of the consumption patterns in the areas and was able to reduce the losses significantly.

Prepaid Meter Audits

Over the period of time, the prepaid consumptions appeared to have been going down both from sales and consumption. The Department resorted into conducting meter audits in various communities. From the audits, it was discovered that some meters were bypassed and there were illegal connections taking place. The municipality applied its bylaws to the consumers who were bypassing the meters and these translated into hefty penalties which sent a strong message to would be potential defaulters.

The Focus on Industries

In the 2017/18 financial the Water Demand Team conducted audits on large consumers. The audits revealed that a large number of industrial meters were either buried and in some instances no longer functional. A major meter replacement programme was rolled out which resulted in increased revenue from the industries and reduced losses.

The Installation of Pipelines in Rural areas and informal settlements

The municipality continues to suffer serious losses due to tinkering water to rural areas and informal settlements. In the year under review, the municipality made inroads in increasing the reticulation network to areas where water tinkering was still taking place. This has also contributed to reducing the water losses from transporting water to the communities.

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41. Bulk purchases (continued)

The improved communication lines with our stakeholders

The municipality established various chat groups with the community including ward councillors. The chat groups report on burst pipes, meter problems, illegal activities taking place and general maintenance issues such as pressure reductions in the network. Through these chat groups the response rate has dramatically improved and this contributed also to the reduction of technical losses.

Challenges

The old network remain one of our biggest challenge and this is further complicated by lack of resources such as capital budgets, high vacancy rates and tools of trade. The vacancy rate within the Department is around 34% and the ageing workforce poses another challenge.

The department will continue with the meter replacement programme and pipe replacement with the limited resources made available.

The municipality will continue to implement various strategies that will assist in curbing the losses and to at least try to be below 10%.

During the year under review the technical losses which the municipality does not have control over was determined as 15%, 1,213,258.42 kl amounting to R10,106,942.04.

2017

Water Losses

During the year under consideration MCLM had unaccounted water of 24.93% (non-technical losses), 9,859,269.93 kl. The total rand value of these non-technical losses were R 74,577,124.43.

The Municipality continues to face major challenges in replacing and upgrading old and ageing infrastructure. The main challenge stems from lack of resources both financial and human resources to address the situation on the ground.

The past financial year, the department could not even replace a kilometre of the network owing to lack of capital budget allocation. Major inroads were made in dealing with large consumers within the City and this was achieved through the program of installing smart bulk meters and raising the buried meters so they can be read easily.

The Water Conservation and Demand Management strategy will not make an impact unless sufficient resources are deployed. It is important for the City to consider alternative funding solutions such as ring fencing of the bulk development contributions and providing the necessary tools and resources to address the Water Losses sufficiently.

During the year under review the technical losses which the municipality does not have control over was determined as 15%, 1,739,871.16 kl amounting to R13,159,504.98.

42. Contracted services

Information Technology Services	10 000 774	6 159 428
Fleet Services	19 816 629	11 032 306
Rental and communication services	28 667 930	28 302 717
Consultant fees	6 914 535	5 770 958
Repairs and maintenance	94 807 890	100 120 532
Other Contractors (Security services, rental water tanks and rental chemical toilet and refuse removal)	156 547 117	161 348 184
	316 754 875	312 734 125

43. Transfers and subsidies (operational expenditure)

Other subsidies

Grants councillors	376 350	1 682 427
Basic services (indigent subsidies)	64 880 243	56 589 162
Grants in aid	1 082 601	1 006 152
Grants discretionary	66 165	109 628
	66 405 359	59 387 369

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44. Operational costs		
Actuarial losses	5 658 296	55 718
Advertising	881 422	729 618
Municipal charges for own facilities and service consumption	40 913 081	42 195 926
Audit committee remuneration	253 480	358 005
Bank charges	5 544 945	3 358 660
Internet fees	4 029 658	2 071 947
Settlement and legal fees	13 376 715	23 229 734
Consumables	528 149	994 831
Insurance	2 309 630	4 531 659
Bursary scheme internal and external	1 870 719	1 664 507
Conferences and seminars	108 065	926 913
Stores and materials (inventory items)	2 309 175	3 226 299
Magazines, books and periodicals	190 374	207 829
Fuel and oil	11 816 729	10 920 398
Postage and courier	3 859 331	3 962 808
Printing and stationery	1 411 494	2 286 178
Safety equipment/Protective clothing	458 675	750 969
Special projects	4 410 162	8 449 309
Royalties and license fees	6 247 512	6 041 258
COIDA	3 504 282	3 622 045
Refreshments general and meetings	112 878	470 416
Subscriptions and membership fees	7 317 531	5 930 211
Telephone and fax	10 719 895	11 184 007
Training	1 416 643	1 537 780
Travel - local	1 195 657	986 854
Assets written off	10 865 204	13 277 945
fair value adjustment	56 209 827	-
Purchases for consumption	9 477 114	6 990 579
Skills levy	5 707 202	5 336 414
6kl free water to other residents	44 133 840	43 811 615
Public participation	1 149 509	1 180 893
Current service cost	12 248 811	12 839 012
Other expenses	25 516 534	57 137 955
	295 752 539	280 268 292
Other expenses		
Interest cost (Employee benefit obligation)	20 399 657	20 289 634
Grants: Other Municipalities	10 700 000	-
Interest cost	4 200 572	2 844 255
Social responsibility	1 259 998	-
Ward committees	1 223 000	-
Purchase and distribution of 240l bins	1 153 070	1 063 407
Stipend	1 082 600	-
Landfill site write down	-	3 136 703
incubator Program	-	1 900 000
	40 018 897	29 233 999

The remaining balance for other expenses includes small items

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45. Cash generated from operations		
Surplus (deficit)	214 363 937	(147 170 861)
Adjustments for:		
Depreciation and amortisation	297 742 338	279 671 043
Fair value adjustments	(170 083 792)	(15 288 111)
Impairment deficit	4 725 301	2 365
Debt impairment	218 236 064	152 071 458
Movements in operating lease assets and accruals	698 220	(638 676)
Movements in retirement benefit assets and liabilities	14 796 367	(699 902)
Movements in provisions	(14 982 882)	5 128 668
Non-exchange assets received	28 812 360	16 192 437
Other non-cash items	(21 883 733)	(30 232 372)
Changes in working capital:		
Inventories	(1 052 431)	(3 397 835)
Long term receivables	6 570	400 722
Receivables from non-exchange transactions	(7 858 227)	79 797 928
Receivables from exchange transactions	(160 783 044)	(113 778 843)
Financial assets	-	(79 674 351)
Payables from exchange transactions	25 004 283	119 077 139
VAT	39 616 287	2 967 543
Unspent conditional grants and receipts	15 492 542	(5 206 615)
Consumer deposits	(1 679 347)	812 757
Sundry deposits	813 832	629 963
Payables from non-exchange transactions	751 748	2 527 057
	482 736 393	263 191 514

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46. Budget differences

Material differences between budget and actual amounts

The differences between the approved budget and final budget is as a result of reallocation of funds within the budget as per virement policy. Management considers 10% or more of variance as material. A detailed description of the variance is provided below.

Statement of financial performance

Revenue

Rental of facilities and equipment

This is income earned on rental of Council facilities, the main contributors of more than expected revenue was revenue from outdoor advertising and rental of Council premises.

Fines

The municipality reduced the expected revenue estimates for traffic fines during adjustment budget by R 31,5 million to R5,5 million, the actual revenue collected came to R 20 million, thereby resulting into over collection of R14,5 million. In addition to traffic fines, actual revenue for reconnection fees following the reclassification in accordance to *mSCOA* came to a total of R14,2 million, there were no revenue estimates provided for the reclassification.

Other income

This item has various line items, key amongst those that contributed to more than expected revenue are social responsibility, actuarial gains, training grants, meter tempering, investment fair value adjustment due to new valuation roll market values and municipal water infrastructure grant which is not gazetted and therefore classified under other income. The listed items were all without revenue estimate provision.

Interest received on investment

This is interest received on grant monies, long term financial asset which matured during the financial year (Rand Merchant Bank).

Expenditure

Collection costs

The over expenditure on this item of costs is mainly due connection via contractor, the number of connections increased due to customer accounts being disconnected as a result of non-payment of services.

Finance costs

This is interest and other costs incurred as a result of borrowing of funds, included in these costs are the interest costs on overdraft. The over expenditure is due to the interest on overdraft that was not budgeted for during the adjustment budget.

Debt impairment

This is the total amount of customer debts which the municipality deems irrecoverable and therefore are impaired, included in this is the amount of impaired traffic fines. The variance is largely due to a change in methodology for the provision of impairment of receivables in the year under review. The impairment of traffic fines has increased due to prescription of fines.

Grants and subsidies paid

The over expenditure on the subsidies paid was due to the amount on water subsidies which was not provided for during the adjustment budget.

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46. Budget differences (continued)

Capital Variances

Capital Grants has an expenditure variance of 5% comprised of:

Provincial Grants

Human Settlements Development Grant with an expenditure variance of 13%, this variance is due to the redirecting of some funds towards installation of infrastructure.

Internally Generated Funds has an expenditure variance of 32% comprised of:

Own funding with an expenditure variance of 20%, this variance is due to cash flow problems and delay in supply chain processes experienced by the municipality during the financial year.

Housing Development Agency with an expenditure variance of 55%, this variance is due to non-payment of subcontractors, 21 units failed the inspection by the Provincial Quality Assurance for poor workmanship and were vandalised.

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47. Prior period errors

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Inventories	18 599 974	-	-	18 599 974
Receivables from non-exchange transactions	173 662 857	-	-	173 662 857
Receivables from exchange transactions	201 912 793	-	-	201 912 793
Cash and cash equivalents	44 749 336	3 038	-	44 752 374
Operating lease asset	189 629	649 292	-	838 921
VAT receivable	37 795 632	(73 692)	-	37 721 940
Financial assets	79 674 351	-	-	79 674 351
	556 584 572	578 638	-	557 163 210
Non-Current Assets				
Investment property	502 001 258	-	-	502 001 258
Property, plant and Intangible assets	5 525 967 840	(173 977)	-	5 525 793 863
Intangible assets	8 715 194	(930 560)	-	7 784 634
Heritage assets	2 466 041	-	-	2 466 041
Financial assets	632 448	-	-	632 448
	6 039 782 781	(1 104 537)	-	6 038 678 244
Non-Current Assets	6 039 782 781	(1 104 537)	-	6 038 678 244
Current Assets	556 584 572	578 638	-	557 163 210
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-
Total Assets	6 596 367 353	(525 899)	-	6 595 841 454
Liabilities				
Current Liabilities				
Employee benefit obligation	10 986 958	-	-	10 986 958
Finance lease obligation	27 255 388	(1 250 371)	-	26 005 017
Unspent conditional grants and receipts	8 851 770	-	-	8 851 770
Provisions	17 264 515	-	-	17 264 515
Payables from non-exchange transactions	89 034 175	-	-	89 034 175
Payables from exchange transactions	698 761 683	2 042 476	-	700 804 159
Financial liabilities	106 222 936	(3 155 939)	-	103 066 997
Sundry deposits	11 332 528	-	-	11 332 528
Consumer deposits	57 440 779	-	-	57 440 779
	1 027 150 732	(2 363 834)	-	1 024 786 898
Non-Current Liabilities				
Employee benefit obligation	219 873 021	-	-	219 873 021
Finance lease obligation	12 800 198	2 724 298	-	15 524 496
Provisions	22 775 158	-	-	22 775 158
Financial liabilities	370 947 767	-	-	370 947 767
	626 396 144	2 724 298	-	629 120 442

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47. Prior period errors (continued)		
Non-Current Liabilities	626 396 144	2 724 298
Current Liabilities	1 027 150 732	(2 363 834)
Liabilities of disposal groups	-	-
Total Liabilities	1 653 546 876	360 464
Assets	6 596 367 353	(525 899)
Liabilities	(1 653 546 876)	(360 464)
Net Assets	4 942 820 477	(886 363)
Net Assets		
Social Responsibility Fund	16 098 176	(4 951)
Accumulated surplus	4 926 722 299	(881 410)
Total Net Assets	4 942 820 475	(886 361)

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47. Prior period errors (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	1 454 866 118	-	-	1 454 866 118
Rental of facilities and equipment	3 397 797	649 291	-	4 047 088
Income from agency services	25 428 001	-	-	25 428 001
Licences and permits	33 250	-	-	33 250
Operational revenue	97 750 865	(14 045 754)	-	83 705 111
Interest received - Outstanding debtors	30 538 473	-	-	30 538 473
Interest received - Investment	13 625 630	-	-	13 625 630
Dividends received	20 925	-	-	20 925
Total revenue from exchange transactions	1 625 661 059	(13 396 463)		- 1 612 264 596
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	468 861 894	-	-	468 861 894
Penalties imposed	40 421 258	(40 421 258)	-	-
Transfer revenue				
Transfers & subsidies	441 375 873	-	-	441 375 873
Fines, Penalties and Forfeits	8 520 375	-	40 427 274	48 947 649
Fair value adjustments	-	15 288 111	-	15 288 111
Total revenue from non-exchange transactions	959 179 400	(25 133 147)	40 427 274	974 473 527
	1 625 661 059	(13 396 463)	-	1 612 264 596
	959 179 400	(25 133 147)	40 427 274	974 473 527
Total revenue	2 584 840 459	(38 529 610)	40 427 274	2 586 738 123
Expenditure				
Employee related costs	(641 622 562)	(1 229 257)	-	(642 851 819)
Remuneration of councillors	(29 169 399)	-	-	(29 169 399)
Depreciation and amortisation	(281 919 140)	2 245 733	-	(279 673 407)
Impairment Assets	(2 365)	-	-	(2 365)
Finance costs	(55 853 151)	3 155 939	-	(52 697 212)
Debt impairment	(152 071 458)	-	-	(152 071 458)
Collection costs	(35 246 880)	-	-	(35 246 880)
Repairs and maintenance	(100 093 719)	100 093 719	-	-
Bulk purchases	(889 809 023)	-	-	(889 809 023)
Contracted services	(217 779 545)	11 164 238	(106 118 818)	(312 734 125)
Transfers and subsidies (operational expenditure)	(59 387 369)	-	-	(59 387 369)
Operational costs	(266 124 442)	(14 143 850)	-	(280 268 292)
Total expenditure	(2 729 079 053)	101 286 522	(106 118 818)	(2 733 911 349)
	-	-	-	-
Total revenue	2 584 840 459	(38 529 610)	40 427 274	2 586 738 123
Total expenditure	(2 729 079 053)	101 286 522	(106 118 818)	(2 733 911 349)
Operating deficit	(144 238 594)	62 756 912	(65 691 544)	(147 173 226)

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47. Prior period errors (continued)		
Deficit before taxation	(144 238 594)	62 756 912
Taxation	-	-
Deficit for the year	(144 238 594)	(65 691 544)

47.1 Prior period error

Retention

Retentions were omitted during the 2016/17 financial year as some documents were not properly filled. The restatement entries increased the Retention in the Statement of Financial Position and an increase in the Work In Progress on the Statement of Financial Position.

Leave Provision

From the leave provision that was submitted during the 2016/17 financial there were a few employees whose leave days were erroneously reported. The effect of the changes resulted in an increase in the leave provision that was previously reported on the Statement of Financial Position and a decrease on the expense recognized in the Statement of Financial Performance.

Payables from exchange transactions

There restatement was as a result of invoices duplicated in the previous financial year. The restatements resulted in a decrease in the creditors account in the Statement of Financial Position and a decrease of the expense in the Statement of Financial Performance.

Pensioners Medical Aid contributions

Medical Aid contributions incurred for the 2017 financial year were erroneously captured in the 2017/18 financial year. The restatement resulted in a decrease in the in the expense for the 2017/18 financial year and an increase in the expense for the 2016/17 financial year in the Statement of Financial Performance.

Leases

The restatement was posted to correct finance leases that were omitted during the 2016/17 financial year. The effect of the restatement resulted in an increase on the Statement of Financial Position on Finance leases assets, an increase in the finance charges, an increase in depreciation and a decrease in rental on the Statement of Financial Performance.

Property, plant and equipment

Capitalisation of projects completed and de-recognition in prior years.
Intangible assets acquired in the prior years.
Fair valuation of some items of property, plant and equipment.

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48. Commitments

Authorised capital expenditure

Already contracted for

• Infrastructure	57 623 430	62 373 564
• Community	504 432 636	62 696 661
	562 056 066	125 070 225

Authorised operational expenditure

Approved

• Operational expenditure	59 214 114	71 216 768
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Capital commitments represents future capital expenditure. The municipality has the obligation to spend these amount due to signed contracts with suppliers and approval per the Medium Term Revenue and Expenditure Framework.

As and when contracts

The municipality has 49 contracts that are on an as and when basis. The contracts expenditure amount to R420 648 589.96: 2018, R86 692 070: 2017 and R81 158 295:2016. The contracts remain available as at the end of the financial year. The values of these contracts cannot be reliably measured as the obligation to the service provider is realised when the need for their service is required by the municipality so the obligations and their related expenditures cannot be fairly presented due to the nature of the contracts.

Unable to quantify

The municipality has 36 contracts that are unquantifiable due to the nature of the contracts. The expenditure of these contracts from inception to the current financial year amounts to R603 046 413.79.

Deviations

During the year under review Mogale City Local Municipality deviated a total amount of R4 030 470, see note 57.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	14 500 000	-
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Operating lease payments represent rentals payable by the municipality for certain of its office, trucks, motor vehicles and cellphones. Leases are negotiated for an average term of 36-120 months. Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or at prime lending rate per annum. No restrictions have been imposed on the municipality in terms of the operating lease agreements.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	1 042 871	1 151 970
- in second to fifth year inclusive	2 103 661	2 155 212
- later than five years	517 511	969 916
	3 664 043	4 277 098

Certain of the municipality's property is held to generate rental income. The Lease terms are negotiated ranging from 6 months to 25 years. The rental levied escalates at 10% on average per annum.

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49. Contingencies		
Contingent liabilities		
Contingent liabilities	-	-
Karel Du Plessis	147 072	-
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118		
C Venter	22 000	22 000
Traffic Vehicle of the Municipality collided with the plaintiff's vehicle and he is claiming for damages		
Chabano Trading Consultant	1 167 770	1 167 770
The Plaintiff alleges that the Municipality has unlawfully terminated the contract.		
Ndumo Group Resources CC	1 340 217	1 340 217
The service provider is suing the municipality for services rendered.		
Khalipha Entertainment	1 799 490	1 799 490
MCLM sued service provider for failing to give proper account of the organised jazz festival and payment made in terms of the contract and Khalipha made a counter claim against MCLM of the same amount.		
Madelein van Rooyen	107 069	107 069
The Plaintiff alleges that the municipality was partly negligent in ensuring that the Bungee jumping is safe.		
Lefatshe Security Services (PTY) LTD	7 938 183	7 938 183
The service provider is suing the Municipality for breach of contract.		
Camel friends CC	50 244	-
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
YYY Trading	71 000	71 000
The plaintiff is claiming for the refund of payment made on the historical debt of the previous owner's account in order to get a Clearance Certificate.		
AJ Monthe	23 000	23 000
The plaintiff is claiming for the refund of payment made on the historical debt of the previous owner's account in order to get a Clearance Certificate.		
Abram Mpalane & others	-	3 500 000
The plaintiffs are claiming for damages for injuries allerring that they were assaulted by the municipalities security personnel and Red Ants.		
Annemarie Cronje	22 445	-
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Gerhad Human	29 551	-
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Palmetto Gate	111 584	-
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Yolande Strydom	124 180	-
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Annemarie Cronje	243 852	-
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Dumisani Amos Mnis	654 000	-
Summons issued against the municipality for vicarious liability.		
Alfa Transportation	15 275	-
Summons issued against the municipality for overpayment of services.		
Mvuyisi Mfebe	10 000 000	-
Summons issued against the municipality for alleged infringement of copyrights.		
Ngwekana Advisory	488 868	-
Summons issued against the municipality for alleged breach of contract. The contractual amount was R1 800 000 entered into between the parties over a three years period. However they issued summons of R48 244 798.95 which does not derive from any contractual relationship between the parties.		

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49. Contingencies (continued)		
Category B	-	-
Labour Matters	-	-
Deputy Directors	1 480 000	1 480 000
1) S.Makgatla		
2) L. Tshoane		
3) N. Mabunda		
4) A. Maswanganyi		
5) T Mathye		
6) J Nkhumane		
The former directors allege unfair termination of the contract of employment in that their contracts should have been made permanent.		
Colbert Mphaphuli	328 200	328 200
Unfair Labour practise		
Victor Tafu	-	480 753
The employee alleges he was unfairly dismissed		
	26 164 000	18 257 682

Contingent assets

Outstanding Legal Matters

I Van Wyk	45 000	45 000
The Municipality is suing the Defendant for outstanding rates and taxes.		
Khaba B	42 000	42 000
The municipality is suing for damages as a result of alleged fraud by the defendant.		
Willturnerkey Construction	317 000	317 000
The Municipality erroneously overpaid Willturner Key Construction.		
Naledi Plant Hire	813 247	813 247
The Municipality filed a counter claim for overpayment to Naledi Plant Hire.		
Khalipha Entertainment	3 685 212	1 800 000
MCLM sued service provider for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.		
African Bush Adventures	1 700 000	1 700 000
The municipality cancelled the contract in a process of recovering the outstanding rates and taxes payments.		
Game Reserve Lodge	180 000	180 000
The municipality is suing for outstanding rental payments of the leased premises.		
Lefatshe Security Services (PTY) LTD	8 062 493	8 062 493
The Municipality is being sued for outstanding contractual amount however the Municipality has a counter claim against the plaintiff.		
Erbacon	2 000 000	-
The municipality sued the service provider for breach of contract and enforcing the penalty clause.		
	16 844 952	12 959 740

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50. Related parties

Relationships

Political Office Bearers comprise of:

Executive Mayor

Chief Whip

Speaker

MPAC

Councillors (MMC)

Accounting Officer

Key members of management

Cllr P.N. Lipudi

Cllr S.I. Dube

Cllr N.C. Mangole

Cllr BE Nkosi

Cllr P.T. Molapo

Cllr N.M. Sedumedi

Cllr M.B. Mdlane

Cllr T.P. Moeketsi

Cllr M.F. Chohledi

Cllr E.N. Cindi

Cllr C.M. Ntlatlane-Zwane

Cllr L.G. Resha

Cllr A.K. Setswalo-Moja

Cllr M.T. Khuzwayo

Other part time councillors

Mr M.P. Raedani

Mrs D.S. Diale

Mr D.C. Ngutshana

Mrs M. Boihang

Mr T.R.R. Ramathlape

Mr M.E. Monakedi

Mr A.R. Khuduge

Mr M. Msezana

Mr S.H. Mbanjwa

Mr A. Mbulawa (Term expired)

Mrs T.M. Matshego

Mr F. Le Roux (Acting)

Mr T. Legodi (Acting)

Mrs L. Mphefo (Acting)

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50. Related parties (continued)

Remuneration of management

Mayoral committee members

2018

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor						
P.N. Lipudi	631 310	40 800	3 600	242 002	103 874	1 021 586
Chief Whip						
S.I. Dube	458 455	40 800	3 600	181 501	92 892	777 248
Speaker						
N.C. Mangole	505 047	40 800	3 600	193 601	82 826	825 874
Section 79 Chair Person						
A. De Lange	70 447	3 800	600	27 965	14 475	117 287
Section 79 Chair Person						
B.E. Nkosi	391 140	37 000	3 000	147 537	64 458	643 135
MMC: Utility Management Services						
M. Khuzwayo	458 455	40 673	3 580	181 501	92 912	777 121
MMC: Human Settlement & Rural Development						
A.K. Setswalo-Moja	458 455	40 673	3 580	181 501	92 896	777 105
MMC: Health & Social Services						
N.E. Cindi	458 455	40 673	3 580	181 501	92 912	777 121
MMC: Integrated Environment Management						
M.F. Chohledi	473 482	40 673	3 580	181 501	78 020	777 256
MMC: Sports & Recreation						
C.M. Ntlatlane	473 482	40 673	3 580	181 501	78 020	777 256
MMC: LED & Rural Development						
P.T. Molapo	460 960	40 673	3 580	181 501	90 417	777 131
MMC: Finance						
N.M. Sedumedi	458 455	40 673	3 580	181 501	92 904	777 113
MMC: Roads and Transport						

Mogale City Local Municipality

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50. Related parties (continued)

M.B. Mdlane	458 455	40 673	3 580	181 501	92 896	777 105
MMC: Corporate Services						
T.P. Moeketsi	473 482	40 673	3 580	181 501	78 020	777 256
MMC: Community Safety						
L.S. Resha	472 229	40 673	3 580	181 501	79 260	777 243
	6 702 309	569 930	50 200	2 607 616	1 226 782	11 156 837

2017

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor						
K.C. Seerane (Term expired)	84 786	3 097	387	5 576	9 469	103 315
Executive Mayor						
L.C. Pannall (Resigned)	195 555	5 554	958	73 186	24 111	299 364
Executive Mayor						
M. Holenstein (vote of no confidence)	290 926	14 450	1 742	111 522	49 280	467 920
Executive Mayor						
P.N. Lipudi	1 002	-	-	384	14	1 400
Chief Whip						
S.I. Dube	436 337	22 753	3 600	173 023	87 648	723 361
Speaker						
S.M. Thupane (deceased)	52 214	2 905	387	19 826	7 827	83 159
Speaker						
P.N. Lipudi (Elected as a Mayor)	400 831	24 340	3 000	153 652	65 943	647 766
Speaker						
N.C. Mangole	2 438	50	-	934	404	3 826
Section 79 Chair Person						
M.A. Mdzeke (Term expired)	48 864	2 452	387	18 042	5 766	75 511
Section 79 Chair Person						
A. De Lange	81 415	5 410	600	30 280	15 530	133 235
MMC: Economic Services						

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50. Related parties (continued)

M. Khuzwayo (term expired)	48 454	2 243	387	18 587	7 586	77 257
MMC: Public Safety						
N.E. Mdlulwa (Term expired)	48 872	2 451	387	18 587	7 416	77 713
MMC: Finance						
F.O. Bayat (Term expired)	50 124	2 243	387	18 587	6 350	77 691
MMC: Roads & Transport						
B.H. Friedman (Term expired)	50 124	2 451	387	18 587	6 177	77 726
MMC: Intergrated Environment Management						
N.C. Mangole (Term expired)	49 706	2 244	387	18 587	6 346	77 270
MMC: Corporate Support Services						
M.A. Mathibe (Term expired)	50 124	2 452	387	18 587	6 177	77 727
MMC: Infrastructure Services						
S.D. Letsie (Term expired)	48 871	2 244	387	18 587	7 417	77 506
MMC: Human Settlement & Rural Development						
A.K. Setswalo-Moja (Term expired)	48 454	2 243	387	18 587	7 586	77 257
MMC: Health & Social Services						
M.E. Mathe (Term expired)	48 872	2 451	387	18 587	7 432	77 729
MMC: Sports & Recreation						
N. Kufa (Term expired)	48 872	2 451	387	18 587	7 417	77 714
MMC: Economic Services						
C.J. van der Westhuizen (Committee dissolved)	345 716	17 480	2 760	132 525	50 138	548 619
MMC: Public Safety						
T. Steenkamp (Committee dissolved)	346 897	17 480	2 760	132 525	55 172	554 834
MMC: Finance						
J. Holtzhauzen (Committee dissolved)	345 716	17 480	2 760	132 525	50 189	548 670
MMC: Roads & Transport						
E. Modise (Committee dissolved)	335 405	17 802	2 760	132 987	65 631	554 585
MMC: Intergrated Environment Management						
A. Fourie (Committee dissolved)	346 925	17 802	2 760	132 987	55 882	556 356
MMC: Corporate Support Services						
J. Pannall (Committee dissolved)	335 405	17 802	2 760	132 987	65 631	554 585
MMC: Infrastructure Services						
J. Hoon (Committee dissolved)	346 925	17 802	2 760	132 987	55 916	556 390
MMC: Human Settlement & Rural Development						
B. Nkosi (Committee dissolved)	345 717	17 480	2 760	132 525	50 138	548 620

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50. Related parties (continued)

MMC: Health & Social Services

M. Mohube (Committee dissolved)	346 925	17 802	2 760	132 987	55 916	556 390
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MMC: Sports & Recreation

T. Mokoena (Committee dissolved)	345 716	17 480	2 760	132 525	50 138	548 619
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MMC: Health & Social Services

N.E. Cindi	1 458	127	20	559	-	2 164
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MMC: Intergrated Environment Management

M.F. Chohledi	1 458	127	20	559	16	2 180
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MMC: Sports & Recreation

C.M. Ntlanlane	1 458	127	20	559	16	2 180
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MMC: LED & Rural Development

P.T. Molapo	1 458	127	20	559	16	2 180
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MMC: Finance

N.M. Sedumedi	1 458	127	20	559	16	2 180
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MMC: Roads & Transport

M.B. Mdlane	1 458	127	20	559	16	2 180
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MMC: Corporate Support Services

T.P. Moeketsi	1 458	127	20	559	16	2 180
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MMC: Public Safety

L.S. Resha	1 458	127	20	559	16	2 180
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MMC: Infrastructure Services

M. Khuzwayo	1 458	127	20	559	-	2 164
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MMC: Human Settlement

A.K. Setswalo-Moja	1 458	127	20	559	16	2 180
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	5 542 768	282 164	42 731	2 105 445	890 775	8 863 883
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50. Related parties (continued)

Councillors/Mayoral committee members

2018

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to UIF, Medical and Pension	Total
Name						
Full time councillors	6 702 310	569 931	50 201	2 607 617	1 226 784	11 156 843
Part time councillors	12 374 108	2 550 527	225 671	4 800 376	2 233 051	22 183 733
	19 076 418	3 120 458	275 872	7 407 993	3 459 835	33 340 576

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50. Related parties (continued)

2017

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to UIF, Medical and Pension	Total
Full time councillors	5 542 768	282 164	42 731	2 105 445	890 775	8 863 883
Part time councillors	11 946 727	1 451 657	229 377	4 597 249	2 080 506	20 305 516
	17 489 495	1 733 821	272 108	6 702 694	2 971 281	29 169 399

Executive management

2018

Name	Annual Remuneration	Performance Bonus	Leave Resignation & Long Service Leave	Ex-Gratia Incentive	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
M.P. Raedani	1 335 397	-	-	-	150 000	402 067	1 887 464
Chief Financial Officer							
D.S. Diale	1 143 982	-	-	-	162 000	1 884	1 307 866
Chief Operating Officer							
A.B. Mbulawa (Contract expired 31 May 2017)	-	-	269 845	-	-	-	269 845
Corporate Services							
T.R.R. Ramatlhape	1 123 178	-	-	-	121 500	49 188	1 293 866
Chief Audit Executive							
C.D. Ngutshana	1 509 221	-	-	46 333	92 000	48 856	1 696 410
Economic Services							
M.A. Msezana	1 421 034	-	-	46 333	231 665	1 884	1 700 916
Utilities Management Services							

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50. Related parties (continued)

S.H. Mbanjwa	794 424	-	-	35 179	-	87 054	916 657
Public works, Roads & Transportation							
M.E. Monakedi	1 161 154	-	-	-	120 000	26 712	1 307 866
Community Development Services							
A.R. Khuduge	1 353 217	-	-	-	-	37 205	1 390 422
Environmental Management							
T.M. Matshego	1 161 981	-	-	-	144 000	1 884	1 307 865
Strategic Management Services							
M. Boihang	384 936	-	-	-	-	44 353	429 289
Acting Executive Manager: Community Development Services							
C.F. Le Roux	173 613	-	-	-	20 000	314	193 927
Acting Executive Manager: Chief Operating Officer							
T. Legodi	244 094	-	-	-	36 000	50 243	330 337
Acting Executive Manager: Strategic Management Services							
L. Mphefo	315 610	-	-	-	-	20 924	336 534
	12 121 841	-	269 845	127 845	1 077 165	772 568	14 369 264

2017

	Annual Remuneration	Performance Bonus	Leave Resignation & Long Service Leave	Ex-Gratia Incentive	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
Municipal Manager							
D.M. Mashitsho (Contract expired 31 October 2016)	606 796	182 146	336 147	-	48 000	46 284	1 219 373
Municipal Manager							
M.P. Raedani	548 997	-	-	-	37 500	96 822	683 319
Chief Financial Officer							
L. Mahuma (Contract expired 28 February 2017)	923 890	179 962	169 172	-	160 000	70 543	1 503 567
Chief Operating Officer							
A.B. Mbulawa (Contract expired 31 May 2017)	1 370 178	104 978	-	-	110 000	144 281	1 729 437
Social Services							
S.T. Mathebula (Contract expired 28 February 2017)	912 071	133 900	197 178	-	125 000	32 219	1 400 368

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50. Related parties (continued)

Environmental Management

M.N. Mokoena (Contract expired 28 February 2017)	907 253	93 730	240 932	-	54 326	69 295	1 365 536
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Political Office

L.R. Seoposengwe (Contract expired 28 February 2017)	961 383	-	265 643	36 989	90 000	108 174	1 462 189
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Corporate Services

R. Mokebe (Contract expired 28 February 2017)	909 623	160 680	166 799	-	120 000	1 251	1 358 353
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Chief Audit Executive

C.D. Ngutshana	1 426 393	160 680	-	-	72 000	45 940	1 705 013
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Economic Services

M.A. Msezana	1 544 435	-	-	-	-	1 877	1 546 312
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Infrastructure Services

S.H. Mbanjwa	409 496	-	-	-	-	25 090	434 586
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Executive Manager: Corporate Support Service

T.R.R. Ramatlhape	70 069	-	-	-	-	156	70 225
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Acting Chief Financial Officer

B.V. Monkwe	341 148	-	-	-	-	19 911	361 059
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Acting Executive Manager Corporate Support Services

J. Baloyi	348 566	-	-	-	-	22 196	370 762
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Acting Executive Manager: Social Service

C.F. Le Roux	392 778	-	-	-	-	595	393 373
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Acting Executive Manager: Environment Management

S.P. Mdlalose	390 587	-	-	-	-	595	391 182
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	12 063 663	1 016 076	1 375 871	36 989	816 826	685 229	15 994 654
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51. Unauthorised expenditure

Opening balance	64 387 390	-
Unauthorised Expenditure - current year	183 207 594	64 387 390
Less: Amounts written off	(183 207 594)	-
	64 387 390	64 387 390

2018

Item K(ii) 6(08/2018)

The unauthorised expenditure for the current financial year is R183 207 594, the expenditure was written off by council. The opening balance for 2016/17 has not yet been written off by council.

2017

There was unauthorised expenditure for the current financial year amounting to R64 387 390.

52. Irregular expenditure

Opening balance	212 926 716	110 876 986
Add: Irregular Expenditure - current year	88 688 591	102 049 730
Less: Amounts written off	(212 926 716)	-
	88 688 591	212 926 716

2018

Council item number: K(iii) 02(07/2018)

Council certified the expenditure of R110 876 985 as irrecoverable and to be written off

Council item number: K(iii) 03(07/2018)

Council certified the expenditure of R102 049 730 as irrecoverable and to be written off

2017

Opening balance: Management appointed a law firm to investigate all irregular expenditure during 2015/16 financial year.

During the process of preparing the 2016/17 annual financial statements the investigation was still ongoing and council referred the matter to MPAC for oversight during the council meeting that was held on 30 August 2017.

The municipality incurred irregular expenditure during the previous financial year due to deviation payments made on contracts and to services procured without following the correct supply chain management procedures. The total irregular expenditure incurred for the 2016/17 financial year was R102 049 730.

53. Fruitless and wasteful expenditure

Opening balance	18 725 070	-
Fruitless and wasteful expenditure - current year	9 486 595	18 725 070
Less: Expenditure written off by council	(9 486 595)	-
	18 725 070	18 725 070

2018

The municipality incurred fruitless and wasteful expenditure during the year under review for interest paid on bulk purchases (Eskom and Rand Water). Eskom charged interest of R9 194 565 and Rand Water charged interest of R292 030; totaling to R9 486 595. The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy and poor debt collections. The council certified the expenditure as irrecoverable and to be written off. Item K(ii) 06(07/2018)

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53. Fruitless and wasteful expenditure (continued)

2017

The municipality incurred fruitless and wasteful expenditure during the previous financial year for interest paid on bulk purchases (Eskom and Rand Water). Eskom charged interest of R18 408 545 and Rand Water charged interest of R313 616; totaling to R18 725 070. The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy and poor debt collections.

Mogale City Local Municipality

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54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to South African Local Government Association

Opening balance	7 008 629	-
Current year subscription / fee	8 074 382	7 228 392
Amount paid - current year	(14 585 837)	-
Credit received - Per Prior year claim or Discount on early payment	(497 174)	(219 763)
	-	7 008 629

Audit fees

Current year subscription / fee	6 414 805	3 939 903
Amount paid - current year	(6 191 691)	(3 939 903)
	223 114	-

PAYE and UIF

Opening balance	7 990 564	7 572 901
Current year subscription / fee	113 755 977	105 650 437
Amount paid - current year	(104 835 374)	(97 659 872)
Amount paid - previous years	(7 990 565)	(7 572 902)
	8 920 602	7 990 564

Pension and Medical Aid Deductions

Opening balance	12 641 856	11 679 531
Current year subscription / fee	159 656 474	142 680 723
Amount paid - current year	(158 123 338)	(141 718 398)
	14 174 992	12 641 856

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Moeketsi T.P	13 838	137 265	151 103
De Lange A	31 906	-	31 906
Khoza M	6 203	37 196	43 399
Mangole I	3 795	23 058	26 853
Makgopa J	1 074	9 318	10 392
Van der Westhuizen C.J	1 963	7 215	9 178
Gaselebelwe G.K	2 188	5 516	7 704
Holtzhausen J.J	9 588	-	9 588
Setswalo-Moja A.K	2 455	1 754	4 209
Lekagane K.E	2 212	608	2 820
Mkruquli(estate late) L	1 062	-	1 062
Ngakane B.N	847	-	847
Koboekae J	402	-	402
	77 533	221 930	299 463

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54. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2017

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
S Govinsamy	8 327	-	8 327
L Modisane	101	4 810	4 911
ZW Maguire	3 703	1 976	5 679
V Khumalo	1 145	-	1 145
LC Pannall	2	-	2
T Steenkamp	2 127	-	2 127
N Nkatu	2 360	83 989	86 349
I Mangole	1 951	41 478	43 429
S Mkhumbeni	1 979	11 896	13 875
CJ Van Der Westhuisen	1 269	8 684	9 953
S Silaule	10 389	-	10 389
MB Mdlane	1 125	2 308	3 433
JJ Holtzhausen	2 867	-	2 867
GI Moilwanyane	9 120	-	9 120
	46 465	155 141	201 606

55. Audit committee remuneration

Fees	253 480	358 005
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56. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	355 096 691	474 014 764
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

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57. Supply Chain Management Regulations

Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to the family of the employees in the service of the state must be disclosed in the annual financial statements. No bids were awarded to the family of the employees in the service of the state.

Deviations from and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of Supply Chain Management Policy the deviations from and ratifications of minor breaches of procurement per directive are listed below:

Incidents

Section 36 (1)(a)(ii): Sole service provider	3 818 752
Section 36 (1)(a)(v): Impossible/Impractical to follow official procurement process	211 718
	-
	4 030 470

Council Item no:	Description	Awarded to	Section	Contract/ order amount
K (ii) 02 (01/2018)	Books: Section 341 books Rand Data for Public Safety		Section 36(1)(a)(ii): Sole Supplier	8 436
K (ii) 02 (01/2018)	Books: Section 56 by laws Rand Data for Public Safety		Section 36(1)(a)(ii): Sole Supplier	8 436
K (ii) 02 (01/2018)	Books: Section 56 for Public Safety	Rand Data Forms	Section 36(1)(a)(ii): Sole Service Provider	15 048
K (ii) 02 (01/2018)	Books: Section 341 for Public Safety	Rand Data Forms	Section 36(1)(a)(ii): Sole Supplier	9 747
K (ii) 02 (01/2018)	Refueling of waste management trucks	Zaheda Developments Trading as AA Filling Station	Section 36(1)(a)(i): Impractical to follow the normal SCM process	67 096
K (ii) 03 (04/2018)	Refueling of waste management trucks	Zaheda Developments Trading as AA Filling Station	Section 36(1)(a)(ii): Impractical to follow the normal SCM process	8 638
K (ii) 02 (01/2018)	Books: Face value forms	Department of Transport and Public Works	Section 36(1)(a)(ii): Sole Supplier	11 354
K (ii) 02 (01/2018)	Books: Face value forms	Department of Public Works	Section 36(1)(a)(ii): Sole Supplier	34 063
K (ii) 02 (01/2018)	Upgrade of PMS system	Vision Activ	Section 36(1)(a)(ii): Sole Supplier	3 642 300
K (ii) 3 (04/2018)	Software licence	Touchvision	Section 36(1)(a)(ii): Sole Supplier	9 114
K (ii) 3(04/2018)	Calibration	Workshop Electronics	Section 36(1)(a)(ii): Sole Supplier	23 541
K (ii) 3 (04/2018)	Advertising	Government Printing Works	Section 36(1)(a)(ii): Sole Supplier	4 000
K (ii) 3 (04/2018)	Local advertising during SOCA	Westside FM	Section 36(1)(a)(ii): Sole Supplier	20 000
K (ii) 3 (04/2018)	Local advertising during SOCA	Mogale FM	Section 36(1)(a)(ii): Sole Supplier	20 000
K (ii) 3 (04/2018)	Local advertising during SOCA	Online Radio	Section 36(1)(a)(ii): Sole Supplier	10 000
K (ii) 2 (07/2018)	Catering services	Tshomarelo Holding	Section 36(1)(a)(v): Impractical to follow the normal SCM process	56 000
K (ii) 2 (07/2018)	HT cable fault high voltage	Indlovu Enterprises	Section 36(1)(a)(ii): Sole Supplier	2 713

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57. Supply Chain Management Regulations (continued)

K (ii) 2 (07/2018)	Emergency Vehicle Development Holding	Section 36(1)(a)(v): Impractical to follow the normal SCM process	79 984
			4 030 470

2017

During the 2017 financial year, the deviations amounted to R5 040 551 and were split between the following sections:

Section 36(1)(a)(ii): Sole service provider	R192 708
Section 36(1)(a)(v): Impractical to follow official procurement process	R4 847 843

58. Risk management

In rendering service delivery the Mogale City Local Municipality is exposed to a wide range of risks and also opportunities. Risk Management is a process of managing risk exposures with the objective of preventing a loss from occurring or minimising the effect should an event occur.

The municipality has exposure to the following risks:

Capital Risk Management
Financial Risk Management
Liquidity Risk Management
Interest Rate Risk
Credit Risk

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 19, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement changes in net assets.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of changes in net assets plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 4.6% to 6%.

The gearing ratio for the 2017/18 financial year is 6%

The results of the gearing ratio as calculated in the 2017/18 financial year indicates that the municipality is 'over in-debted'. Even though the ratio is above the norm of the gearing ratio, the municipality is still able to pay off its borrowings timeously, as and when required by the financial service providers.

The municipality has put the following measures in place to improve the gearing ratio:

1. Implementation of a Cash Flow Turn around strategy
2. Review of the credit Control policy of the municipality to ensure enhanced debt collection
3. The municipality has ensured that all capital repayments that were due for payment during the financial year were paid timeously.

The only externally imposed capital requirement from the borrowings that the municipality currently has is for the timeous payment of all the debt that the municipality has as per the terms outlined in the borrowings terms.

There have been no changes to the way that the municipality manages its capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Total borrowings

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58. Risk management (continued)

Finance lease obligation	14	16 749 930	41 529 513
Financial liabilities	19	355 096 691	474 014 764
		371 846 621	515 544 277
Less: Cash and cash equivalents	5	40 374 841	44 752 374
Net debt		331 471 780	470 791 903
Total equity		5 164 016 150	4 941 934 114
Total capital		5 495 487 930	5 412 726 017

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

Management plays an oversight role in ensuring that the debts of the municipality are paid timeously as required by the financial institutions.

The municipality has put in strict controls in ensuring that short-term creditors are paid within the financial period. The cash flow still remains a major issue in paying creditors within 30 days.

At 30 June 2018	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Borrowings - Capital Repayments	34 665 632	163 905 007	156 526 052	355 096 691
Borrowing - Interest	32 483 966	114 117 250	32 350 667	178 951 883

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments as per the approved borrowings policy. The municipality currently has 5 loans, all of which are at fixed interest rates.

Fair value interest rate risk

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer/counterparty to a financial instrument fails to meet its contracted obligations. Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivable from non exchange transactions and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial instrument	2018	2017
Financial assets (note 12)	683 884	80 306 799
Receivables from non-exchange transactions (note 3)	201 891 964	173 662 857
Receivables from exchange transactions (note 4)	174 940 829	201 912 793
Call accounts money market accounts (note 5)	9 582 348	30 265 665
Cash and cash equivalents (note 5)	30 792 493	14 486 709

Mogale City Local Municipality

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59. Borrowing cost

Borrowing Costs Capitalised

Opening Balance	-	30 096 459
Capitalised during the year	-	(30 096 459)
	-	-

60. Events after the reporting date

Mogale City Local Municipality did not have any events after the reporting date of the financial year.

61. Change in estimate

Property, plant and Intangible assets

During 2017/18 financial year the useful life of assets were assessed and this resulted in the change in useful life of some of the assets. This change in accounting estimate will result in a decrease in depreciation for the year under review and future period amounting to R 69 261 182 per annum.